

John Lloyd

FINANCIAL TIMES

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Hunting Gate 4444 DEVELOPMENTS

OVERSEAS MOVING BY MICHAEL GERSON 01-4461300

WORLD NEWS

Bush will win nomination says Dole

Republican US presidential candidate Robert Dole said it was a foregone conclusion that Vice President George Bush would win the party nomination.

US warns Israel

President Reagan warned Israel against a strike against Saudi Arabia's new Chinese-built medium-range missiles.

Two killed on West Bank

Israeli troops killed two Palestinian rioters on the West Bank.

Station gun raid

Liverpool Street tube station in London was closed last night after an armed raid on a nearby jeweller's shop.

Afghan talks

The US agreed in principle that the Geneva talks on Soviet withdrawal from Afghanistan could be raised to superpower status.

Warning to leave Baghdad: The Foreign Office has advised Britons living in or visiting Baghdad to leave, after an Iranian missile attack.

Crime rise slows to 1%

Crime rose by 1 per cent in 1987 - the smallest increase for 30 years, Home Office figures show.

Gibraltar rebuff

Gibraltar's new socialist leader, Joe Bossano, said he would not take part in Anglo-Spanish talks over the territory.

Record cocaine haul

Police arrested nine people after seizing 300kg of cocaine from a Madrid warehouse.

15 die in train smash

Ten children and five adults were killed when a train hit a school bus near Jundea, north-east Spain.

Turkish tunnel escape

A group of 29 men, members of banned far-left organisations, escaped from an Istanbul jail through a 200ft tunnel.

Belgium leaves Gulf

Belgium is to pull its minesweepers out of the Gulf unless the situation there worsens.

W German spy sweep

West German security services say they have made numerous arrests in a sweep on suspected East bloc spies.

Timely reminder

Summer time begins at 1am tomorrow (March 27) when clocks should be put forward one hour to 2am.

London Share Service

From next week, Monday editions of the Financial Times will include details of market capitalisations as part of the statistical data carried in the London Share Service.

MARKETS

Table with market data including DOLLAR, LONDON MONEY, NORTH SEA OIL, STOCK INDICES, and GOLD.

BUSINESS SUMMARY

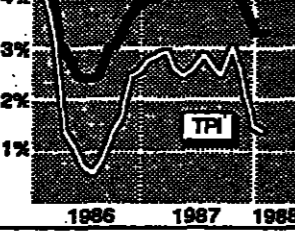
Du Pont acts to protect ozone layer

DU PONT, big US chemicals company, is to phase out a group of products widely suspected of damaging the ozone layer in the upper atmosphere which protects life on earth.

INFLATION rate falls

INFLATION rate fell appears to have steadied with the rate in the year to February at 3.3 per cent, unchanged from January.

Prices & Taxes



US said it would not abandon nor modify its semiconductor trade pact with Japan following a GATT ruling that the 1986 bilateral agreement was illegal.

RENETTON, fast-growing Italian clothing company, is planning to open the first Western boutique in central Moscow this summer.

NISSAN MOTOR, Japan's second largest car maker, said it would probably stop shipping its Patrol four-wheel drive vehicle to South Africa.

SAMUEL MONTAGU, merchant bank, has been appointed by the Government as adviser on the privatisation of Crown Suppliers, the central purchasing agency.

PERNOD-RICARD, French alcoholic and soft drinks group, reported a 16 per cent increase in net profits for 1987 to FF925m (\$28m).

CARLTON COMMUNICATIONS, television services group, is paying a maximum of \$30m (\$6m) for Modern Video, US company specialising in high-speed duplication of video tapes.

SYSTEMS DESIGNERS, UK software producer in which British Aerospace has 23 per cent, is paying \$82.5m for Scicom, BP computer sciences and software subsidiary.

HOUSE OF FRASER, department store chain which owns Harrod's, assumed its battle with Lorient by publishing its objections to the international trading group's latest annual report.

LISTED COMPANIES are to be allowed to send their shareholders short summaries of their financial results rather than full annual accounts.

NATIONAL TRAVELWORLD, travel agency subsidiary of state-owned National Bus Company, has been sold to Belgardine Holdings, an NBC subsidiary.

EUROPEAN COMMISSION and Gulf Co-operation Council concluded a trade agreement to negotiate a second pact giving the GCC better access to the European market.

Anglo-Irish agreement 'back on the rails' as talks end in accord

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

BRITISH and Irish ministers yesterday signalled an end to the recent period of strained relationship between London and Dublin and promised that their governments would renew the fight against terrorism.

At the end of six hours of talks, held in London under the Anglo-Irish agreement, both sides expressed total condemnation of the recent outbreak of atrocities in Northern Ireland.

Soviet troops deployed to prevent Armenian protest

BY LEBLE COLITT IN MOSCOW

TROOPS AND police reinforcements were deployed by the Soviet authorities in the Armenian capital of Yerevan yesterday in an attempt to prevent a banned mass demonstration.

Armenian officials said on the telephone that protesters were hoisting the Armenian flag, which they described as ethnic Armenian, nationalists, however, described the mood as "very tense" and said that large numbers of soldiers and police were on patrol.

The demonstration planned for today was to press Armenian demands for reunification of Armenia with the ethnically strife-torn region of Nagorno-Karabakh, which has been part of Azerbaijan since 1920.

Seamen ordered not to strike

BY JIMMY BURNS AND RAYMOND HUGHES

THE NATIONAL Union of Seamen could face seizure of its funds if it calls a national strike next week.

A High Court judge yesterday ordered the union not to call a strike, whatever the result of the current ballot of its members, the result of which will be known on Wednesday.

Mr Justice Michael Davies also gave Peninsular & Oriental Steam Navigation Company a suspended sequestration order against the union.

CONTENTS

Table of contents listing various articles and their page numbers.

Big trade deficit depresses pound and share prices

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE BALANCE OF trade showed another large deficit in February, bringing the cumulative shortfall on the current account of the balance of payments to £1.5m for the first two months of the year according to official UK figures released yesterday.

The pound and share prices both fell sharply in response to the news, but the Government said that the figures - showing a current account deficit of £270m in February following a £240m shortfall in January - should be treated with considerable caution.

Officials in Whitehall said the introduction of new Customs procedures at the start of 1988 and a cross-channel ferry strike early last month may have created significant distortions.

The Treasury said that an apparent sharp fall in exports since late 1987 was difficult to reconcile with other evidence suggesting that manufacturing output was growing strongly and that overseas orders were remaining buoyant.

Continued on Back Page

Table showing Current Account (£bn) with columns for Current balance, Balance, Visible balance, Exports, Imports, and Invisible balance.

Figures for invisibles since January 1988 are first estimates

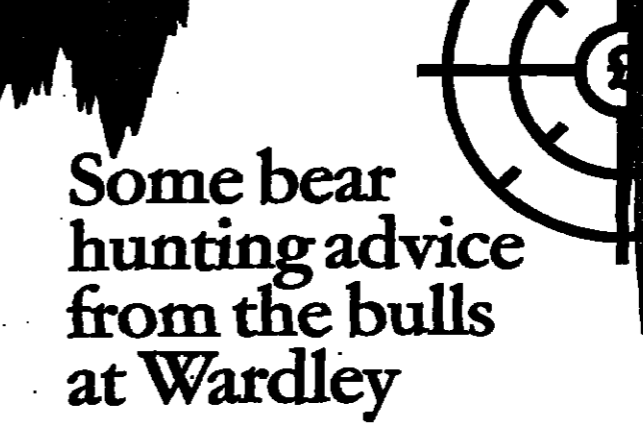
Jaguar strike threatened over plans to lift output

BY RICHARD TOMKINS, MIDLANDS CORRESPONDENT

WORKERS at Jaguar, the Coventry-based luxury car maker, have said they will strike from April 6 - their first working day after the Easter holiday - if the company goes ahead with plans to increase productivity on the assembly line.

Production employees at the company's Browns Lane assembly plant voted 2,410 in favour of strike action and 1,812 against in a secret ballot. Jaguar said there were 4,400 hourly-paid employees at the plant.

If the strike takes place, it will be the third serious dispute to hit the British motor industry this year. About 32,500 workers struck at Ford for two weeks in February and 6,000 Land Rover work-



Some bear hunting advice from the bulls at Wardley

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WEEKEND FT



John Lloyd reports on the working-class men and women who are challenging the traditional image of the Conservative Party.

FINANCE Abbey National's plan to go public - what it means for the investor. Plus second thoughts on the Budget.

PROPERTY High hopes of a revival in the rental market.

HOW TO SPEND IT ...on brasses and curts.

DIVERSIONS Two men in a boat - through the Northwest Passage.

SURVEY How to plan your personal pension.

Advertising rates and contact information for the Financial Times.

Market data and exchange rates for various currencies.

Additional market data and financial information.

Subscription information and contact details for Wardley.

UK NEWS

Rate of inflation stays at 3.3% for second month

BY RALPH ATKINS

THE STEADY fall in Britain's annual rate of inflation since October appears to have halted in February...

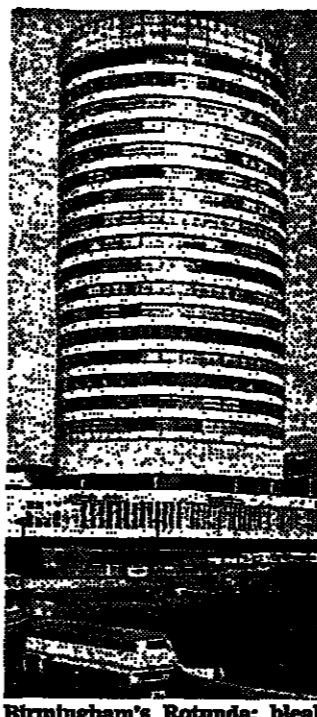
Ferry group sells HQ for £110m

By Richard Evans

THE FREEHOLD of Sea Containers House, London headquarters of the troubled cross-Channel ferries and transport group...

Richard Tomkins looks at moves by Britain's second biggest city to change its image Birmingham goes in search of a little éclat

IF THERE were a league table of truisms, the assertion that Birmingham has an image problem would rank high in it.



Birmingham's Rotunda: bleak building in line for a face-lift

Depressing, however, Birmingham is not. Far from wallowing in self-pity over previous mistakes it has thrown itself enthusiastically into another huge programme of construction.

Tory challenge to fixed-rate poll tax

BY JOHN HUNT

A GROUP of 21 Conservative MPs, including seven former ministers, have put down an amendment which poses the biggest challenge yet to the Government's legislation for the community charge.

Oxford science park proposed

By Andrew Taylor

PROPOSALS which could lead to the development of Oxford's first science park were announced yesterday by Clayform Properties...

Letter delivery service planned by Interlink

By Alice Rawsthorn

INTERLINK EXPRESS, which operates an overnight parcel delivery service, plans to introduce a nationwide postal service...

Badgerline buys NBC's travel agency offshoot

By Kevin Brown, Transport Correspondent

NATIONAL TRAVELWORLD, the travel agency subsidiary of the state-owned National Bus Company, has been sold to Badgerline Holdings...

Smallest rise in reported crime since mid-1950s

By Alan Pike, Social Affairs Correspondent

REPORTED CRIME in England and Wales showed its smallest overall increase for 30 years during 1987, rising just 1 per cent.

Scots Democrats gather to rally the troops

By Tom Lynch

THE SCOTTISH Social and Liberal Democrats arrive for their conference in Aberdeen today needing a boost to their morale after a tiring year of election campaigning, internal wrangling and depressing opinion polls.

SLD SCORES FIRST WIN IN BY-ELECTION

Dr Owen and a member of the Council for Social Democracy, came bottom of the poll with 3.3 per cent.

Torness reactor produces power for the first time

By James Buxton, Scottish Correspondent

THE FIRST reactor of the Torness nuclear power station in East Lothian began producing electricity for the first time yesterday.

Advertisement for Levi's jeans: 'HOW TO SHORTEN YOUR LEVI'S JEANS... OPEN SUNDAYS 10am-6pm EVERY OTHER DAY 10am-8pm'.

Advertisement for Dickie Dirts: 'OR GET DOWN TO Dickie Dirts... Buy a pair of regular 14oz. Denim Levi's - only £16.99 and get them shortened FREE OF CHARGE'.

Advertisement for a company: 'At the Inter-Continental Hyde Park Corner... No one does more than our highly professional conference team to make sure you have a smooth, efficient and worry free conference or meeting.'

UK NEWS

Opening shots fired in Labour leadership contest

BY JOHN HUNT

MR TONY BENN, the left-wing Labour MP for Chesterfield, last night launched his campaign for the party leadership with a restatement of fundamentalist socialism and implied criticism of the way Mr Neil Kinnock has been leading the party.

NHS to issue performance data

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

THE GOVERNMENT is to ask Health Service managers for performance details, to be given to health-authority members and local MPs.

IDV changes European drinks distribution

By Lisa Wood

INTERNATIONAL Distillers & Vintners, the London Metropolitan drinks subsidiary, announced changes in the distribution of some of its brands in France and West Germany.

Channon launches study of London rail congestion

BY JOHN HUNT

AN URGENT review of overcrowding on British Rail and the central part of London Underground is being carried out by a special group set up by Mr Paul Channon, the Secretary for Transport.

Suppliers sell-off nears

BY FEONA MCEWAN

THE GOVERNMENT has moved one step nearer to the privatisation of Crown Suppliers, its central purchasing agency, with the appointment of Samuel Montagu, the merchant bankers, as advisors on the issue.

New systems 'urgently needed' for successful securities control

BY ALAN CAINE

THE URGENT need for automated systems to monitor risk, help promote efficient settlement and aid regulation ruled the second day of the FT conference in London on Technology in the International Securities Markets, which ended yesterday.

FT CONFERENCE

Technology in the International Securities Markets

Worldwide, the main bars to using integrated technology were cost, different needs in different locations and sectional interests.

UK NEWS — EMPLOYMENT

P&O ferry strike set to hit Easter sailings

By David Churchill, Leisure Industries Correspondent

UP TO 100,000 holidaymakers bound for the Continent by ferry over Easter are likely to have their holidays cancelled or seriously affected by P&O's decision to strike out of Easter sailings.

Mr Bill Jordan, AEU president, talked of persuading the senior managers of the company's electrical and electronics division (EED) to put the project back on the agenda of the Ford finance committee, which makes decisions on all big investments.

Charles Leadbeater analyses the outcome of the Detroit mission Ford fears dash hopes for Dundee

THEY DID not get much beyond the airport. That is perhaps a measure of the impact the delegation of British trade union leaders had on Ford Motor in their bid on Thursday night to reverse the company's decision to pull out of its proposed plant at Dundee.

On the flight over there had been a mood of guarded optimism. Contacts with the company since the TUC decided to back the AEU engineering union's controversial single-union deal for the plant suggested there was room for reconciliation.

What exactly this meant Mr Michael Mescher, Ford's general manager, would not say. The competitiveness of the plant would have been determined by the rates of pay, the production technology and flexibility of working practices.

Mr Willis said that, in spite of the TUC's backing for the deal, Mr Mescher had told them the decision to abandon Dundee remained unchanged. The TUC would have to make a further approach at the earliest possible opportunity to present new information to the company, Mr Willis said.

MR MICHAEL Mescher, Labour employment spokesman, yesterday accused Ford of using the unions as a "scapegoat" for its real decision not to proceed with its proposed £40m electronics plant at Dundee, writes Philip Bassett.

Mr Mescher's statement, which was "immediately attacked by Conservative MPs, came as union leaders returned from their unsuccessful mission to Ford's world headquarters in Detroit to try to persuade the company to reverse its decision.

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The TUC had decided other unions should not be party to the agreement; rates of pay would not be linked to pay scales in Ford of Britain's plants. On Thursday night, Mr Mescher's general manager, Mr Norman Fowler, expected to find a replacement for Sir James Munn, the Commission's acting chairman, who was appointed for a six-month term in November.

to persuade the company to reverse its decision.

Mr Mescher asked whether Ford had colluded with the British Government in order to "frame" the UK unions.

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played a leading role in the strike. He also maintained that the AEU would have preferred the Dundee plant to be covered by the Ford national agreement - a position not so dissimilar from the TGWU's.

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Search for training chief proves difficult

BY CHARLES LEADBEATER, LABOUR CORRESPONDENT

THE DEPARTMENT of Employment has met unexpected difficulties in finding a chairman for the Training Commission, which will replace the Manpower Services Commission later this year.

Philip Bassett explains why crisis may not come to Coventry

Jaguar takes strike vote relatively calmly

JAGUAR, the luxury car maker, took a relatively calm vote yesterday in a two-to-one ballot voting a strike action against the 4,000 employees at the company's Browns Lane assembly plant, Coventry.

The vote had been expected, indeed, the company's general manager said last week that some of the forecast outcomes of 14-1 or 15-1. The vote was: 2,410 employees (65 per cent of those voting) for the strike, 1,310 (35 per cent) against.

acting chairman, who was appointed for a six-month term in November.

in spite of vigorous efforts to recruit a permanent successor during Sir James' chairmanship, officials said there was no plan to make an appointment in the near future.

Mr Fowler and his officials believe it is important that the chairman should command respect among businessmen because employers are to be urged to play a much larger role in training young people and the unemployed. However, the chairman will also require considerable political touch to reconcile the often conflicting views of employers, unions and educationalists.

increasing employment to match it. Jaguar took on about 1,000 new employees last year.

Sir John Egan, Jaguar chairman and chief executive, last week announced a 19.7 per cent fall in pre-tax profits, hit by the weakling of the company and Jaguar had failed to hit output targets.

He said Jaguar's 13,000 workers were sufficient to raise output to 55,000 cars this year and to 60,000 next year. Output last year was 45,000 vehicles.

company to impose productivity levels without any agreement and our members are not prepared to accept that.

Mr Keith White, Transport and General Workers' Union secretary, said: "People don't respond to being hit with a big stick."

Jaguar says it has no intention of simply introducing the change immediately. However, yesterday it said it wanted to raise output from April 6, placing in the rise over a four to five-week period.

Strike move defeated

MEMBERS of the Civil and Public Servants Association who work in unemployment benefit offices and Jobcentres in London have voted against taking strike action over job cuts.

MAGNUM GROUP CORPORATION

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The net asset value at 29th February 1988 was £82.93

European Assets Trust

The net asset value at 29th February 1988 was £1.94

NO EASTER SAILINGS; HERE'S WHY

P&O European Ferries



25th March 1988

Dear Passengers

Since December 1987, we've been discussing with the National Union of Seamen the urgent need to get rid of outdated working practices.

Working practices, for example, that allow a large number of our employees 271 days off per year, working only 94 twenty-four hour duties, which include appropriate rest periods for sleep and meals.

There is no choice; to meet the challenge of the future, in particular the Channel Tunnel, we have to make changes now.

The Officers' Union accepted this need and reached an agreement with us; the NUS called its men and women out on strike.

Because of this strike, P&O European Ferries regret that they will not be able to run any ferry services from Dover to Calais, Zeebrugge or Boulogne over the Easter Period.

We apologise to our passengers for the disruption and hope our normal services will be returned as soon as possible.

Yours sincerely

Peter Ford
Chairman
P&O European Ferries (Dover) Limited

FINANCIAL TIMES

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Saturday March 26 1988

When the bad news is good

THERE ARE times when bad news is the best news. After all, how else can one reconcile the desire of Mr Nigel Lawson, the Chancellor of the Exchequer, to secure stability in the external value of the pound with the Prime Minister's unwillingness to subordinate monetary policy to that aim? With the current account deficit for February estimated at £720m, following a deficit of £844m in January, both should have found the figures released yesterday very welcome indeed.

How bad are these numbers? If the deficit is not revised away, the current account deficit in the first two months of 1988, at £1,564m, is almost as large as that for the whole of 1987, recently revised downward to £1,679m. Since the Chancellor forecast the current account deficit for 1988 at £4bn only last week, the first two months have seen just under 40 per cent of the deficit forecast for the year as a whole.

Why should such dismal tidings be welcome? For much of 1987 and early 1988, the pound struggled to keep the pound down. His problem has been that the strength of sterling on the foreign exchanges has made it impossible to raise interest rates without increasing the inflow of foreign exchange. Meanwhile, the buoyancy of spending at home has suggested that such a rise in interest rates was absolutely necessary.

The only way to square this circle is for the inflow of foreign exchange to fall. Such a change would tend to follow from a deteriorating current account, though past experience suggests that markets react initially with insouciance and then compound their earlier indifference with belated panic. But the speed of the UK deterioration may be sufficient to frighten investors. After all, at the rate of the last two months the current account deficit for 1988 would be over \$3bn, 2 per cent of gross national product. By way of comparison, the US current account deficit in 1987 was only about twice as large as a share of GNP.

Low credibility
It may appear strange that an external deficit should be welcomed, but when the credibility of the exchange rate link is low, a fixed exchange rate is its principal effect on demand via a deterioration in the external account. A monetary expansion leads to a current account deficit, which deflates demand directly and also depresses the expectations of depreciation, in response the Government can raise short term interest rates, which then curb demand.

With a more credible exchange rate link, this roundabout route need not have been necessary. If the expectation had been that inflation in the UK would be little more than in the Federal Republic of Germany, real interest rates would have been 7 per cent or so. With such real interest rates, demand would probably have been lower and the problems for the economy and the current account need not have arisen.

The question is whether the news is bad enough. One can only wait and see, but apart from the trade figures the personal savings ratio has been estimated at 5.5 per cent in the fourth quarter, the lowest ratio for twenty-eight years. Meanwhile, the motor vehicle industry continues to show the effects of the buoyancy of demand and the "short-termism" of British labour, with the prospect of a strike at Jaguar.

Doubtful figures
There are doubts, it is true, about some of the figures that are being announced for the UK economy. For example, the savings performance may not be as bad as appears. Similarly, the current account deficit may not be as large as is now thought, though one reason for believing that - the size of the so-called "balancing item" - disappeared in 1987. Be that as it may, there can be little doubt that the trends in the current account and savings are towards deterioration. Indeed, in the case of the current account, the deteriorating trend seems to be quite steep.

The extraordinary buoyancy of demand in 1987 has made management of the economy very difficult. Any attempt to nip the expansion in the bud, would have created a costly appreciation of the exchange rate. Now one must rely on the combination of a deteriorating external account and higher interest rates, while avoiding exchange rate depreciation.

It is too late to avoid a bumpy path. It is certainly too late to re-establish the monetary targets apparently wanted by 10 Downing Street. It will be equally difficult to re-establish the credibility of an exchange rate target, at least falling full membership of the European Monetary System. Without a spontaneous recovery in private saving and decline in the growth of money and credit, the only way out will be by way of yet more bad news on the current account. It is looking increasingly likely that the UK economy will oblige in the way it knows all too well: a good old fashioned foreign exchange crisis.

Mr TONY BENN, the unwilling aristocrat turned wide-eyed champion of the working classes, this week decided to contest the leadership of a Labour Party which he believes is in the process of selling its soul.

Written off even as the announcement was being made that he would stand, the 62-year-old MP for Chesterfield will not seek shelter from the shower of criticism which will rain down on him for the next six months. His historic cause will not be deflected by any descent into orchestrated calumny.

Controversy over the alleged side-effects of the drug Opren will be reinforced by High Court pre-trial hearings of 350 cases which begin on Monday. Peter Marsh looks at a painful history

From laboratory to law courts

"IT'S AN insult." This is how Mrs Winifred Godfrey, who says her health was permanently damaged by the banned arthritis drug, Opren, sums up the offer to her of £2,300 compensation by Eli Lilly, maker of the drug.

Mrs Godfrey, a 62-year-old former nurse whose skin blisters on exposure to sunlight and who has been unable to leave her London home for three years, is among 1,300 people in Britain who have pressed for damages against Lilly on account of Opren.

The sums awarded in Britain contrast to those handed out to alleged sufferers in the US where a jury has awarded one claimant \$6m

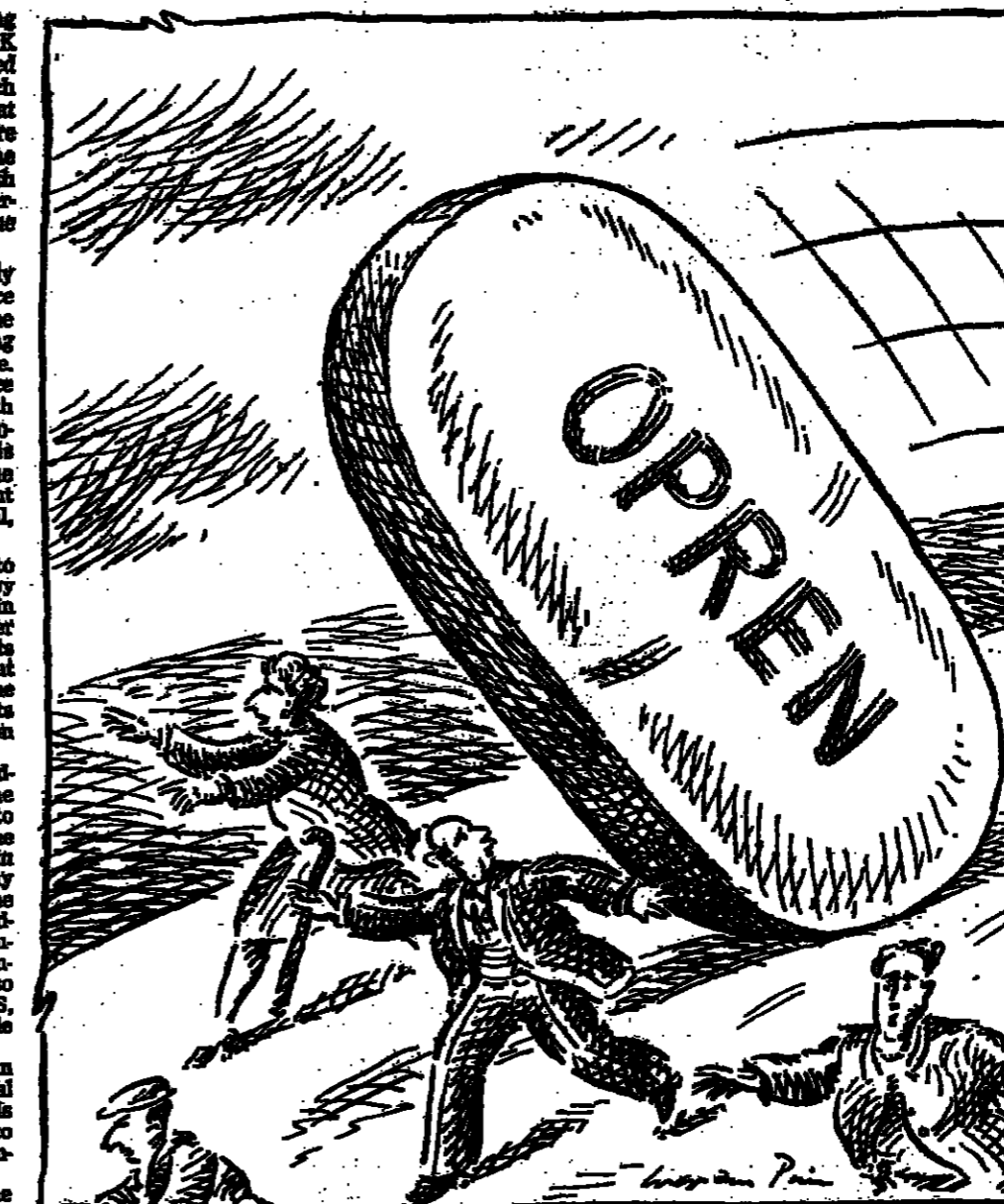
1,300 claimants a total of about £2.2m, to be divided among them. Although they have virtually all accepted this offer, the Opren affair shows no sign of drawing to a close. The claimants say most of them accepted the settlement only because of the difficulty and expense of fighting a prolonged court battle for a larger sum. Mrs Godfrey, with about 30 others who have turned down the offer, is still holding out for more.

Mr Richard Bailey, managing director of the company's UK subsidiary, insists it has behaved responsibly. The company, which has denied negligence, says that in many of the 1,300 cases there was no evidence to link the claimants' medical problems with Opren and that it has been generous in settling the majority of the claims.

The claimants argue that Lilly was lax in uncovering evidence of Opren's side-effects while the drug was being tested and during the period when it was on sale. Secondly, they say the evidence linking medical problems with Opren, which the company promoted particularly heavily, is strong enough to support the view that Lilly should not out-bully damages, if not on legal, then on moral grounds.

Opren campaigners point to Eraldin, a heart drug sold by Imperial Chemical Industries in the early 1970s which was later found to have led to side-effects such as eye disorders. Without waiting for a court case to be set up, ICI set up its own fund, paying compensation of up to £20,000 in some cases.

Most of the publicity surrounding Opren has centred on the skin problems which are said to have been experienced by some of the 500,000 people in Britain who took the drug between May 1980 and August 1982, when the drug was withdrawn from worldwide sale - a day after the regulatory authorities in Britain banned it. The formulation was also widely prescribed in the US, where it did not become available until May 1982.



Experts such as a group at Dundee University in Scotland which examined 40 alleged Opren victims. The scientists found that 20 of these people were suffering from skin problems other than reactions of the skin to sunlight. The rest, the researchers concluded, had signs of photosensitivity, but due to other factors, such as a short-term reaction to other drugs.

Dr John Hawk, an expert in photosensitivity at St John's Hospital for Diseases of the Skin in London, examined eight people claiming to be suffering from Opren-induced skin problems, and found that the drug was probably to blame in only one case. Dr Hawk says he would be willing to see more people who claim similar problems, but so far none have come forward.

Evidence as to whether Lilly reacted quickly enough to warnings about other ill-effects claimed to be due to Opren - such as problems of the kidneys and liver - is rather more contentious from the plaintiffs' viewpoint. "Opren was prescribed largely to elderly people, as would be expected of a drug aimed at treating arthritis. Giving any drugs to old people can be hazardous

away from there without learning quite a lot." None the less, Dr Taggart says, he heard no more from the company until May, when his findings were published in a medical journal. In that time, he claims, the company could have acted to investigate the extent of the problems with the drug and possibly withdrawn it or modified its use.

Lilly explains the delay by saying that Dr Taggart had initially provided it with only "sketchy" information about the circumstances of the deaths and that consequently it had to wait until the May publication for the full data on which to act.

Few participants have emerged from the Opren affair with much comfort. The claimants have won public sympathy - and many of them have experienced heart-rending physical ailments. But hardly any of them have demonstrated convincingly that Opren was responsible for their problems.

The legal system in Britain has been found wanting. Observers have argued that the alleged victims have been unable to take their cases to a full trial because of the many millions of pounds which would be required to bring such an action.

The legal system in the US, where lawyers can agree to take on cases not for a fixed fee but for a proportion of the damages which a court awards, would be a system much more favourable to people in similar actions in Britain. In addition, it is difficult to bring so-called "class actions" where claimants can sue collectively, in British courts. This is because some claimants qualify for Legal Aid, and others do not.

An amendment tabled by the Lord Chancellor to the Legal Aid Bill will waive the means test in "class actions" and should make them easier to fight in the future. Despite the inconclusive evidence of Lilly's knowledge about the side-effects of Opren, the company has come out of the affair far from unscathed - as have the regulatory authorities, which, onlookers have said, were slow to get to grips with the problems linked with Opren. Indeed, one of the few positive results of the rules administered by the Health Department regarding tests of medications on old people prior to marketing.

Man in the News

Tony Benn

Last throw for a champion of the true faith

By Michael Cassell



tics, part of the endless "educational" process to which he is so fond of referring. First elected an MP 38 years ago, and now with clutch of front-bench and Cabinet jobs behind him, his dedication to socialist ideals - "equality is inherited and not earned" - has been spiced with eccentricities. He once suggested appointing 1,000 peers to secure parliamentary passage for some controversial legislation and, on another occasion, put forward a plan enabling workers to sack management at a week's notice. A lifetime student of divinity, he wants the disestablishment of the Church of England, in order to halt the "subtle corruption" of the influence of the state.

But a figure once used to exercising no inconsiderable influence in Labour's post-war progress has seen his determination to maintain a constantly refined political purity lead to increasing isolation at Westminster. While most politicians think they are right, they have little time for those among them who insist that they alone perceive the truth. The indifference of those on the benches around him has not, however, detracted from his skills as an orator. His Commons performances range from being quirky, usually when there is a sniff of conspiracy in the air, to powerfully impressive. Most of his oldest allies now prefer to avoid him and would not dream of supporting his latest adventures. Mr Kinnoch, leader of what

unemployment, the obscenity of nuclear weapons, British subservience to the US and the wilful caricaturing of the Soviet Union as an evil aggressor.

That there is a viable and noble alternative path is not, to Mr Benn, in any doubt. His views, he believes, are shared by most decent, thinking people and the strength of his case will not be diminished by the odd setback. He is fond of recalling the exploits of the Tolpuddle Martyrs, the Chartist and the Suffragettes and has appeared most complete, when participating in a workers' march or joining a strike.

He believes the new model Labour Party has failed because it has traded off its principles in the search for popularity, when it should have been sharpening them up. Its desertion of the miners and its wessel-words in support of the teachers and nurses have undermined the solidarity of the workers and strengthened the empire of the rich. Benn insists, above all, that the forthcoming fight is not about personalities but about politics. It is a familiar, if futile, cry from a politician who tells the media that it must learn to un couple names from ideals. The one-time Hon Anthony Neil Wedgwood Benn, who gradually removed all his personal details from Who's Who, the establishment's Bible, is not interested in names and in name-calling - the scale of what is at stake is much more important. He wears the mantle of a man who, despite the realisation that this must be his last chance to succeed - not an important consideration if his personal propaganda is to be believed - is convinced the principles and policies for which he stands will inevitably triumph. There will be no glossy campaign material, no campaign press office - the cause will speak for itself. If the Labour Party denies him, the struggle will and must go on. It will only be a matter of time - perhaps after a fourth general election defeat - that it will see the error of its ways.

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Handwritten signature or mark at the bottom of the page.

UK COMPANY NEWS

Systems Designers buys Scicon

By Nikki Tait

Systems Designers, the UK software producer in which British Aerospace holds a 23 per cent stake, is paying £82.5m for Scicon, the computer sciences and software subsidiary of oil giant, British Petroleum.

The new company, SD-Scicon, will be the largest software systems company in Britain, according to SD's chairman Mr Philip Swinestead who started the business on a £1,000 overdraft in the late 1960s.

BP acquired a 40 per cent stake in Scicon in the early 1980s and raised this to 100 per cent in 1986. Scicon employs almost 4,000 people, and its operations are split between the UK, France, West Germany and the US.

Scicon's recent profits record has been dismal. It made a £4.2m pre-tax profit in 1984, but losses of £2.34m, £11.92m and £10.98m in the following three years respectively.

Agreed bid takes Glass Glover private

By Nikki Tait

The mystery suitor for Glass Glover, the fresh fruit grower and distributor, was revealed last night. The company is to be taken private through a recommended bid by the company's management, backed by Schroeder Ventures and Standard Chartered Bank.

Fraser details objections to latest Lonrho report

By Andrew Hill



Sir Edward du Cann - answered allegations point by point

House of Fraser, the department store chain which owns Harrods, opened another round of its long-running battle with Lonrho yesterday by publishing its objections to the international trading group's latest annual report.

A letter detailing some of Fraser's objections was offered to another 1,200 Lonrho shareholders as they arrived at the Grosvenor House for the company's annual general meeting.

Among other points, Fraser drew attention to alleged overvaluation of assets in the Lonrho accounts. Sir Edward replied that Lonrho was using a policy recommended by the valuation profession, adding in response to another objection in the letter that the group's reserves were accurately classified in the accounts.

Decisive rejection for Dobson Park bid

By Clay Harris

MS International retained its independence yesterday when shareholders decisively rejected the £38m takeover bid from Dobson Park Industries, another diversified mining equipment group.

The margin of MS's escape was wider than expected. Although Dobson Park raised its directly held stake to 28.8 per cent with additional market purchases yesterday, its 130p cash offer was

accepted by only 5.9 per cent of MS shareholders. The decision of two significant institutional shareholders, M&G with 8.9 per cent and Provident Mutual with 7.5 per cent, to support the MS management. Provident Mutual had hedged its bets by selling nearly 2.5 per cent during the bid at the offer price.

Mr Alan Kaye, Dobson Park chief executive, said he was disappointed with the outcome, but added: "We now have a very strong position in a company which is a very close fit and we intend to hold on to it."

Carlton £45m video deal in US

By David Waller

Carlton Communications, the television services group, is paying a maximum of \$68m (£45m) for Modern Video, a US-based company which specialises in the high-speed duplication of video tapes.

The initial payment of \$48m is to be financed by a vendor placing of 3.8m new Carlton shares at 75p, a 4 per cent discount to the opening price of 78p. It represents a basic consideration of \$28m and the assumption of \$20m of debt.

Mr Green suggested that the exit multiple, taking account of the earnings provisions, would end up at about 4½ times prospective earnings. He said that Carlton's earnings this year would be enhanced as a result of the transaction.

Leisure Investments, amusement centre and other club operator, has acquired 4.9 per cent of Dewey Warren Holdings, the insurance group in which Mr Robert Holmes a Court's Bell Group holds a significant stake.

Leisure has a 4.9% stake in Dewey Warren

By Fiona Thompson

Leisure Investments, amusement centre and other club operator, has acquired 4.9 per cent of Dewey Warren Holdings, the insurance group in which Mr Robert Holmes a Court's Bell Group holds a significant stake.

Manders profit little changed

By Andrew Hill

Manders (Holdings), Wolverhampton-based paint, printing ink and computer supplies division, reported pre-tax profits of \$4.9m for the year to end December 1987, against \$5m for the previous year when the figures included an exceptional credit of £178,000.

Mr John Farmer, finance director, said UK profits improved in difficult trading conditions while overseas profits declined, largely due to the sale of the company's South African operations in September.

Mr Farmer said the board was confident that investments currently being made in modernising manufacturing facilities and enhancing property interests would result in improved profits in the future.

Atlantic Assets' new proposals

By Nikki Tait

Atlantic Assets, one of the Ivory and Size investment trusts where shareholders voted down reconstruction proposals last month, confirmed yesterday that it would be putting forward new proposals for the future of the company "as soon as is practicable."

Revised proposals for Drayton

By Nikki Tait

THE long-running saga at Drayton Japan, the £280m MIM-managed investment trust, flickered back into life yesterday as the board announced revised reconstruction proposals for the fund.

The new idea is that shareholders will be able to elect to convert their shares in Drayton into either a unit trust invested in Japanese stocks, or a successor investment trust.

These requirements - "enabling shareholders who wish to do so to realise their investment in full at a price not materially less than asset value otherwise than by a sale on the Stock Exchange."

Buoyant markets boost Aspen profits to £3.4m

By Fiona Thompson

Aspen Communications, the USM-quoted corporate video, media, mobile communications and specialist print group, increased profits by 82 per cent to £3.4m for the year to end December 31 1987.

Ferry Pickering midterm rise

By Andrew Hill

An increase in interim pre-tax profits from £1.2m to £1.4m was reported by Ferry Pickering (Group), printing, packaging and publishing group. Turnover for the six months to December 31, 1987 grew £1m to £8.72m.

DIVIDENDS ANNOUNCED

Table with columns: Company Name, Current payment, Date, Corresponding dividend, Total last year, Total this year. Includes companies like Ablesoft Group, Aspen Group, Asset Trust, Beamford, CSC Investment, etc.

LONDON RECENT ISSUES

Table with columns: Issue Name, Amount, Issue Date, Price, Yield, etc. Includes issues like 1000 £100, 1000 £100, etc.

RIGHTS OFFERS

Table with columns: Issue Name, Amount, Issue Date, Price, Yield, etc. Includes offers like 1000 £100, etc.

Victoria Wine buys Agnews

By Lisa Wood

Victoria Wine, the off-licence subsidiary of Allied Lyons, the food and drink group, is buying Agnews, a Scottish off-licence chain of 50 shops owned by Seagram, the Canadian distiller.

APPOINTMENTS

Mr Derrick Plummer has been appointed NATIONAL WESTMINSTER BANK's regional general manager for East Africa, India and Latin America. He succeeds Mr Len Shackelford who retires at the end of March.

NatWest senior posts

Mr George Nissen has been appointed a director of THE UNION DISCOUNT COMPANY OF LONDON. He is chairman of the Gilt Edged Market Makers Association.

MECCA LEISURE has appointed

Mr Barry Anderson as divisional managing director for both entertainment and social clubs. He was managing director of the social clubs division, where he is succeeded by his deputy, Mr John Kelly.

Plessey agrees to GEC link-up

By Terry Dodswoth

THE AGREEMENT to merge the telecommunications activities of Plessey and General Electric Company had put the British industry in a "strong and challenging" position in world markets, Sir John Clark, chairman of Plessey, said yesterday.

Mr George Nissen has been appointed

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Mr Barry Anderson as divisional

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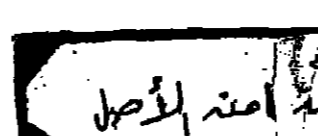
Mr Brian Ashby and Sir Stuart

Mr Brian Ashby and Sir Stuart Short will be joining the board of SPYHAWK from April 1. Mr Ashby recently retired as a general manager of Lloyds Bank; he will be responsible for the internal management methods of the Spyhawk group.

Mr Christopher Bond has been

Mr Christopher Bond has been appointed financial controller of the drinks division of H.P. BULLER, Hereford. He joined from Lee & Perrins, where he was finance director and company secretary. Mr George Jeffrey has been appointed director of information technology at H.P. Buller.

LANE CLARK & BRACOCK, solicitors, has admitted Mr F.R.E. Scott as a partner.



FT - ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns for National and Regional Markets, Thursday March 24 1988, Wednesday March 23 1988, and Dollar Index. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, and World Index.

Base values: Dec 31, 1985 = 100; Financial Dec 31, 1987 = 115.07 US \$ Index, 92.79 (Pound Sterling) and 94.94 (Local). Copyright, The Financial Times, Goldman, Sachs & Co., Wood Mackenzie & Co. Ltd. 1987. Danish Stock Exchange closed in order to implement electronic trading system. Latest prices were available for this edition.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Table with columns for Stock, Volume 000's, and Stock, Volume 000's. Lists various stocks like ASDA, Allied-Lent, Amers, Anglo, etc.

ECONOMIC DIARY

TODAY: Mr John Moore, Secretary of State for Social Services, and Mr Douglas Hurd, Secretary of State for the Home Office, attend Guild of British Newspaper Editors' conference in Birmingham. TOMORROW: British summer time begins - clocks go forward one hour. MONDAY: Confederation of British Industry monthly trends enquiry (March). Ministry of Agriculture, Fisheries and Food publishes Food facts (fourth quarter). European Community agriculture council meets in Brussels (until March 29). Mr Franz Vranitzky, Austrian Chancellor, pays visit to Saudi Arabia. The Economist holds conference 'Doing business with the new Japan' at Park Lane Hotel, London W1. Portugal's two largest trade unions plan nationwide general strike. International Book Fair opens at Olympia (until March 30). London launch of people's petition against the poll tax. Pearson preliminary figures. Japanese preliminary industrial production and retail sales figures. TUESDAY: Bank of England publishes the following statistics: London sterling certificates of deposit (February); Bill turnover statistics (February); UK banks' assets and liabilities and the money stock (February) and sterling commercial paper (February). US leading indicators. Mr Jacques Chirac, French Prime Minister, leaves for electoral tour of French overseas territories. Design of the Canary Wharf development revealed at the Queen Elizabeth II Conference Centre, London. Princess of Wales opens airport terminal at Brigg, South Humberside. Metal Closures and George Wimpey issue preliminary statements. US factory orders (February). WEDNESDAY: Department of Transport issues new vehicle regulations (February). Ferry dispute ballot closes. British Airways, Bower and Standard Chartered Bank announce preliminary results. THURSDAY: Energy trends statistics (January) announced by the Department of Energy. Result of ferry dispute ballot. Takeover Panel makes statement on new guidelines. Businesswoman of the Year award ceremony at the Institute of Directors, 116 Pall Mall, London SW1. FRIDAY: Japanese unemployment figures (February).

FT-ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns for Equity Groups & Sub-sections, Friday March 25 1988, and Highs and Lows Index. Rows include Capital Goods, Building Materials, Chemicals, Electronics, Mechanical Engineering, Metals and Metal Fabrication, Motors, Consumer Goods, Food and Drink, Health and Household Products, Leisure, Packaging and Printing, Stores, Textiles, Other Groups, Agencies, Chemicals, Composites, Shipping and Transport, Telephones, Insurance, Merchant Banks, Property, Other Financial, Investment Trusts, Mining, and All Stocks.

FIXED INTEREST

Table with columns for Price Indexes, Average Gross Redemption Yields, and Fixed Interest. Rows include British Government, 1-5 years, 5-15 years, 3 Over 15 years, 4 Irredeemables, 5 All stocks, Index-Linked, 6 5 years, 7 Over 5 years, 8 All stocks, 9 Subscribers & Lenders, 10 Preference.

Opening index 1779.5; 10 am 1773.3; 11 am 1779.3; Noon 1770.2; 1 pm 1767.3; 2 pm 1760.4; 3 pm 1767.2; 3.30 pm 1768.4; 4 pm 1770.9

Table with columns for Equity section or group, Base date, Base value, and Equity section or group, Base date, Base value. Lists various equity groups like British Government, All Other, Do, Index-Linked, Debt & Loans, Preference, FT-SE 100 Index.

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BQ, price 15p, by post 32p

Hertfordshire advertisement for Financial Times, mentioning a full editorial synopsis and advertisement details.

BES advertisement for RINGLAND SAWMILLERS PLC, an attractive, asset backed BES offer.

CATALYST 1987 Results advertisement showing turnover of £1,401,963 and profit before tax of £1,109,148.

Options and Futures for the Private Investor advertisement, offering a free guide to help understand the private investor's world of options and futures.

GRANVILLE SPONSORED SECURITIES advertisement, listing various securities with prices and yields.

Tourist Tax Free Shopping advertisement, featuring a photo of a man and text about VAT refund services for tourists.

INTERNATIONAL COMPANIES AND FINANCE

BHP favours SA Brewing bid for Rheem Australia

BY CHRIS SHERWELL IN SYDNEY

SA BREWING Holdings, the Adelaide-based beer maker, yesterday outbid the BHP group...

BHP sold to SA Brewing part of its 61 per cent stake in Rheem, taking the bidder's holding to 19.9 per cent...

Spanish savings banks to merge

BY PETER BRUCE IN MADRID

FIVE SPANISH savings banks in Castile and Leon plan to merge. The move, which is significant...

day BHP announced its third quarter results and SA Brewing its interim figures. BHP reported net profits for the nine months to February of A\$959m compared with A\$608m...

Swedish shipping group lifts ABV offer

Swedish shipping group lifts ABV offer

By Sara Webb in Stockholm

NORDSTJERNAN, Sweden's largest privately owned company with interests in shipping, construction, real estate and steel, yesterday raised its bid for outstanding shares in ABV...

Dunlop France steers out of the red

BY PAUL BETTS IN PARIS

WITH A name like Monsieur Cham one can be forgiven for mistaking the new chairman of Dunlop France, the tyre company now owned by the Japanese Sumitomo Rubber group...

Dunlop France was losing FF7.1m (\$17.4m) a day when Sumitomo took over the company. Last year we made an operating profit of FF5.8m and a net profit of FF21.3m...

climate in France and the company's heavy losses. After an initial purge when Dunlop France saw its workforce virtually halved, the Japanese owners have invested FF500m in the French operations...

Japanese life groups wary on \$

BY STEFAN WAGSTYL IN TOKYO

JAPANESE life insurance companies have had more reason than most to feel nervous about the slide in the US dollar this week. They would be feeling even worse, but for some fast regulatory footwork by the Japanese Ministry of Finance...

Life companies breathed a sigh of relief since the dollar was close to Y126 for most of the early part of the month. But the dollar's decline below Y126 for the first time since January will have sent them scurrying for the calculators...

Alcatel at Ecu346m in first year

By Our Paris Correspondent

ALCATEL, THE telecommunications group formed by the merger of the telecommunications operations of ITT of the US with those of France's Compagnie Generale d'Electricite (CGE), yesterday reported net profits of Ecu346m (US\$425.5m) on sales of Ecu1.12bn in its first year of existence...

In French francs, the profits totalled FF2.4bn on sales of FF77.6bn, CGE said. CGE controls 56.3 per cent of the telecommunications joint venture which ranks second in the world telecommunications league after AT&T of the US. The other leading shareholders are ITT with 37 per cent, Societe Generale de Belgique with 5.2 per cent and Credit Lyonnais, the large French state-controlled commercial bank, with 1.5 per cent.

Goodman plans to acquire Meneba

BY LAURA RAUIN IN AMSTERDAM

GOODMAN FIELDS Wattle, the big Australasian foodstuffs company which has a 29.9 per cent stake in Rank Hovis McDougall of the UK, plans to acquire Meneba, a small Dutch bakery with a stock market value of Fl 50m (\$13.6m).

to be established. Details will be announced on Monday. Meneba is involved in bread and confectionery, animal feedstuffs and chickens. It is a market leader in the Netherlands and exports about 20 per cent of its output. It climbed back to profits last year with net earnings of Fl 3m on sales of Fl 868m after a rough patch. Market saturation and overcapacity led to total losses of Fl 15.6m for the three years to 1986 and the resignation of the board chairman.

Fernod pays more

BY PETER BRUCE IN MADRID

Fernod-Ricard, the French alcoholic and soft drinks group, reports a 16 per cent increase in net profits to FF868m for 1987, writes Paul Betts in Paris. Sales increased by 7 per cent to FF112.5bn (\$2.8bn) while operating profits were 12 per cent higher at FF1.5bn. The French company is planning to increase its gross dividend from FF20 a share to FF25, an increase of 15 per cent.

Jardine Matheson advances by 64%

BY DAVID DODWELL IN HONG KONG

JARDINE MATHESON, the Hong Kong trading and investment company, announced that its financial services division, engineering, yesterday reported after-tax profits for 1987 of HK\$784m (US\$100.5m), a 64 per cent improvement on profits of HK\$478m in 1986.

Mr Brian Powers, the New York merchant banker recruited two years ago to restructure the group in Hong Kong and to co-ordinate strategy, was also yesterday confirmed as Jardine's new Taiwan "big boss" in succession to Mr Keswick who, however, retains a non-executive chairmanship.

WORLD COMMODITIES PRICES

Week in the Markets

THE LONDON Metal Exchange nickel price set the seal on its recent reworking. After a day of volatility, it reached the highest level in its history on the LME for a base metal. The \$2,500 a tonne reached in early trading took cash nickel to the level achieved by the now-defunct market at the height of its price boom in 1985.

switched to a dollar quotation less than two months ago. There has been little change in the fundamental market situation but the chief bull factors remain in place. Strong demand from the stainless steel industry is sustaining the inexorable decline in nickel stocks. Reserves in LME registered warehouses fell another 594 tonnes last week to 1,539 tonnes and a further fall is expected for this week - while Falconbridge shipments from the Dominican Republic are still held up because of an argument over export duties.

company but the rumour's price impact did not appear to be eliminated. The combination of high demand and low stocks continued to support the aluminium market, where the cash LME position for 99.7 per cent metal ended at \$1,232, record \$2,735 a tonne. Traders noted, however, that the relatively modest \$50 rise of the week reflected an unwillingness to move too far ahead of the copper price. They said a substantial premium over copper is traditionally regarded as unsustainable.

remained at around £130 a tonne. The copper price had been higher earlier in the day but came under later profit-taking pressure as sterling rallied from lows against the dollar and New York quotations fell back from early gains. In contrast, the Baltic Futures Exchange's Biflex dry cargo freight futures market ended its recent bull run this week in what one trader described as "a healthy shake-out after the recent run-up to record highs."

Table with columns: Commodity, Last price, Change, Year High/Low, High/Low 1987/88

Table with columns: Commodity, Price, Change

Table with columns: Commodity, Price, Change

Table with columns: Commodity, Price, Change

Table with columns: Commodity, Price, Change

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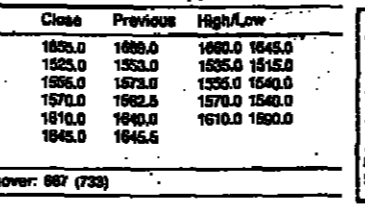
Table with columns: Commodity, Price, Change

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Table with columns: Commodity, Price, Change

Table with columns: Commodity, Price, Change

Table with columns: Commodity, Price, Change



NEW YORK (3 pm)

Table of New York stock prices, including major indices like Dow Jones and S&P 500, and various individual stock prices.

Table of US stock prices, including various industry-specific stocks and their current market values.

Table of US stock prices, continuing the list of individual stocks from the previous table.

Table of US stock prices, listing various companies and their stock performance.

Table of US stock prices, providing a comprehensive list of market participants.

Table of US stock prices, detailing the performance of different sectors.

Table of US stock prices, showing the volatility of key market indicators.

Table of US stock prices, highlighting the activity in major financial institutions.

Table of US stock prices, listing various technology and industrial stocks.

Table of US stock prices, covering a wide range of market sectors.

Table of US stock prices, detailing the performance of energy and commodity stocks.

Table of US stock prices, listing various international and domestic equities.

Table of US stock prices, providing a final overview of the market's state.

Wall Street

Dollar fears depress Dow further

Continued concern about the health of the dollar and its impact on interest rates kept Wall Street under pressure in the afternoon. Trading was relatively dull, apart from a rise in shares associated with takeover rumours.

The Dow Jones Industrial Average, which fell 44 points on Thursday, fell another 15 to 2,009.9, its lowest level for a month and a half.

Declining golds tugged most stocks lower. Despite advances by industrial and base metals in moderate trading.

The composite index, which had lost about 1 point early on, dropped 13.8 to 3,307.7 on turnover of 12.9.

International Petroleum topped the list of most active, rising 1 cent to C\$1.05. Polysar Energy, which said on Thursday it expected 1988 earnings to exceed those of 1987, gained C\$1.74.

Gold was broadly lower. Lac Minerals slipped C\$1.28 to C\$13.80. International Corona dropped C\$2.38 to C\$14.90.

North American closing prices were not available for reports in this edition.

Tokyo

Dollar fears depress Dow further

Wall Street's overnight tumble and the faltering dollar left share prices lower.

The Nikkei index lost 154.83 to 25,626.35. Renewed optimism helped it recover some of its losses after dropping 288 points in early trade.

Large-capital issues were broadly lower. Nippon Telegraph and Telephone sank 730.00 to 12,572.00, closing below the 12,400 mark for the first time since March 14.

Declines led advances by two to one on volume of 97m shares.

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Frankfurt

Dollar fears depress Dow further

Large losses in New York and other major centres added to local worries, pushing West German share prices sharply lower.

The FAZ index closed down 14.14 at 452.57. Some domestic and foreign investors took advantage of the fall to buy stock cheaply.

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Hong Kong

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INDICES

Table of global stock indices including Dow Jones, Nikkei, FTSE, and various regional indices with their respective values and changes.

Wall Street

Table of Wall Street stock prices, listing various companies and their market values.

Tokyo

Table of Tokyo stock prices, listing various Japanese companies and their market values.

Frankfurt

Table of Frankfurt stock prices, listing various German companies and their market values.

Hong Kong

Table of Hong Kong stock prices, listing various regional companies and their market values.

Small text at the bottom of the page providing additional information and disclaimers.

CURRENCIES AND MONEY

WORLD STOCK MARKETS

FOREIGN EXCHANGES

Trade figures depress pound

A DREADFUL set of UK trade figures and a previous build up of long sterling positions, spelt bad news for the pound yesterday. Investors wasted no time in unwinding positions, as the prospect of any attempt to break the DM3.10 level vanished with news of a high of DM3.050, the pound fell sharply to a low of DM2.925, having caused the way down at a sharp support level of DM3.040.

The dollar finished towards the days low, breaking through Y125.50 to touch Y125.15, before coming back to close at Y125.30, still down from Y125.70 on Thursday. Recovery from the day's low reflected a reluctance to run short positions over the weekend, and traders were also nervous about further central bank intervention.

Trade figures cap poor week for equities

Another set of abysmal UK trade returns rounded off a rough week for the UK equity market. The figures showed Britain's trade with the rest of the world last month 27.2bn, a deficit much worse than expected, compared with a median forecast of 24.0bn; one of the leading US investment houses had even predicted a small surplus. Leading shares, tender and still reeling from Thursday's heaviest fall of 1.43, immediately slithered further, and the FT-SE index closed 14.3 down at 1767.9.

FINANCIAL TIMES STOCK INDICES

Table with columns for Stock Indices (Government Secs, Fixed Interest, Ordinary, Gold Mines, etc.) and S.E. Activity (5k Edged Berahis, etc.). Includes a line graph showing the FT-SE index from 1987 to 1988.

deals, representing a placing, were carried out by Moore Govett.

Cable & Wireless, still affected by the BZW 'sell' recommendation, drifted a few pence to 336p on turnover of 2.4m. Ferranti's presentation to analysts on Thursday drew a number of 'buy' recommendations and at least one upgraded profit-taking but widespread profit-taking and general market conditions left the stock 3 off at 81p.

UK retail prices rose by 0.4 p.c.

Table showing UK retail prices for various categories like Food, Clothing, etc., with percentage changes.

D-MARK SPOT - FORWARD AGAINST THE POUND

Table showing D-Mark spot and forward rates against the pound for various terms like 1 month, 3 months, 6 months, 1 year.

JAPANESE YEN-TRADING RANGE AGAINST THE DOLLAR

Table showing Japanese Yen trading range against the dollar for various terms like 1 month, 3 months, 6 months, 1 year.

LONDON REPORT AND LATEST SHARE INDEX, TEL. 0898 123001

market tended to subside, however, and the number of shares traded fell to 412.5m. Government securities straggled aside the latest current account deficit - generally described 'as too bad to be true' - and hardly noticed last month's inflation statistics. The market turned nervous later on suggestions that the US bond market could be unsettled by impending weakness in equities.

London SE

Share Traded (million) 700. Average daily volume 114.8 million. A stock shortage boosted Guardian Retail Exchange 11 to 860p, but worries over the extent of the group's hurricane damage losses left Sun Alliance 12 off at 860p.

STERLING INDEX

Table showing Sterling Index for various currencies like US Dollar, DM, etc.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table showing Dollar spot and forward rates against the dollar for various terms like 1 month, 3 months, 6 months, 1 year.

CURRENCY RATES

Table showing currency rates for various countries like Australia, Canada, etc.

LONDON TRADED OPTIONS

Large table showing London traded options for various stocks like Allied, BVA, etc., with columns for Call and Put options.

EURO-CURRENCY INTEREST RATES

Table showing Euro-currency interest rates for various terms like 3 months, 6 months, 1 year.

CURRENCY MOVEMENTS

Table showing currency movements for various currencies like Sterling, US Dollar, etc.

EXCHANGE CROSS RATES

Table showing exchange cross rates for various currencies like DM, Yen, etc.

OTHER CURRENCIES

Table showing other currencies like Australian Dollar, Canadian Dollar, etc.

FT LONDON INTERBANK FIXING

Table showing FT London interbank fixing rates for various terms like 1 month, 3 months, 6 months, 1 year.

MONEY MARKETS

UK rates edge firmer

PROSPECTS OF an early cut in UK base rates took a nose dive yesterday, after disappointing trade figures. Interbank rates were marked up 1/4 of a point as sterling tumbled. This rose to 8.3038 p.c. from 8.2983 p.c. the week before.

NEW YORK

The firm trend in cash rates was reflected in the average rate of discount at the weekly Treasury bill tender. This rose to 8.3038 p.c. from 8.2983 p.c. the week before.

LONDON MONEY RATES

Table showing London money rates for various terms like 1 month, 3 months, 6 months, 1 year.

NEW YORK

Table showing New York money rates for various terms like 1 month, 3 months, 6 months, 1 year.

Traditional Options

First dealings March 14. Last declarations June 25. For settlement June 27. For rate instructions see end of London Share Service.

NEW HIGHS AND LOWS FOR 1987/88

Table showing new highs and lows for various stocks in 1987/88.

Just in time

LONDON STOCK EXCHANGE

DEALINGS

Details of business done below have been taken from the London Stock Exchange Official List and should not be regarded as an indication of the market's view...

Corporation and Country

- Stocks No. of bargains included
Corp of London 200% Deb Stk 2000 - 271 (21/88)
London Commercial 200% Deb Stk 2000 - 271 (21/88)

UK Public Boards

- No. of bargains included
Agricultural Mortgage Corp PLC 200% Deb Stk 2000 - 271 (21/88)
British Airways PLC 200% Deb Stk 2000 - 271 (21/88)

Foreign Stocks, Bonds, etc

- (coupons payable in London)
Abbey National Building Society 100% Deb Stk 1000 - 100 (21/88)
BP Global 200% Deb Stk 2000 - 271 (21/88)

Registered Housing

- Associations
No. of bargains included
AAH Hedge PLC 200% Deb Stk 2000 - 271 (21/88)

Commercial, Industrial, etc

- No. of bargains included
AAH Hedge PLC 200% Deb Stk 2000 - 271 (21/88)
Aldi Ltd 200% Deb Stk 2000 - 271 (21/88)

Sterling Issues by Overseas Borrowers

- No. of bargains included
American Medical International 100% Deb Stk 1000 - 100 (21/88)

Adm Holdings PLC 200% Deb Stk 2000 - 271 (21/88)

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LEADERS AND LAGGARDS

Table showing percentage changes since December 31 1987 based on Thursday March 24 1988. Includes categories like Property Investment, Industrial Group, and others.

RISES AND FALLS

Table showing rises and falls on Friday March 25 1988. Includes categories like British Funds, Corporations, and others.

BANK RETURN

Table showing banking department returns for Wednesday March 23 1988. Includes sections for LIABILITIES, ASSETS, and ISSUE DEPARTMENT.

BASE LENDING RATES

Table showing base lending rates for various banks and financial institutions, including ASB Bank, Citibank, and others.

EUROPEAN OPTIONS EXCHANGE

Table showing European options exchange data, including series, bid, ask, and other market information.

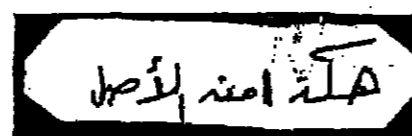
ESSEX

The Financial Times proposes to publish this survey on: 6th MAY. For a full editorial synopsis and advertisement details, please contact: Brett Trafford on 01-248 8000 ext 5116.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Main table listing authorized unit trusts, including names, managers, and other details. Includes sub-sections like 'M & G Group - Contd.', 'M & G Group - Contd.', and 'National Provident Fund (NPF) Unit Trusts'.



FT UNIT TRUST INFORMATION SERVICE

Handwritten note: 10/1/10

Table listing various unit trusts such as 'Scottish Equitable Fund Mgrs. Ltd.', 'Scottish Life Investments', and 'Scottish Mutual Investment Managers Ltd.' with columns for fund names and numerical values.

Table listing unit trusts including 'Trafalgar Unit Trust Managers', 'Yorkshire Unit Trust Managers', and 'Yorkshire Investment Managers Ltd.' with columns for fund names and numerical values.

Table listing unit trusts such as 'American Life Insurance Co. Inc.', 'Chelmer Medical Managed Funds Ltd.', and 'Fidelity Assurance Limited' with columns for fund names and numerical values.

Table listing unit trusts including 'Fidelity Assurance Limited', 'Fidelity Investments', and 'Fidelity International' with columns for fund names and numerical values.

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INSURANCES

Table listing insurance-related unit trusts such as 'AA Friendly Society', 'Abey Life Assurance Co Ltd', and 'Abey Life Insurance Co Ltd' with columns for fund names and numerical values.

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FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information with columns for company name, unit price, and other financial details. Includes sections for 'OFFSHORE AND OVERSEAS' and 'MANAGEMENT SERVICES'.



FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Handwritten note: "Just in time"

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Investment Objective, and other details.

Table of LONDON SHARE SERVICE, including sections for BRITISH FUNDS, BRITISH FUNDS - Cont'd, FOREIGN BONDS & RAILS, AMERICANS, INT. BANK AND O'SEAS GOVT STERLING ISSUES, CORPORATION LOANS, COMMONWEALTH & AFRICAN LOANS, and LOANS.

Table of Money Market Trust Funds and Money Market Bank Accounts, listing various financial products and their details.

LONDON SHARE SERVICE

AMERICANS—Contd. Table listing American stocks with columns for stock name, price, and other financial data.

CANADIANS Table listing Canadian stocks with columns for stock name, price, and other financial data.

BANKS, HP & LEASING Table listing bank and leasing companies with columns for stock name, price, and other financial data.

BEERS, WINES & SPIRITS Table listing beverage companies with columns for stock name, price, and other financial data.

BUILDING, TIMBER, ROADS Table listing construction and infrastructure companies with columns for stock name, price, and other financial data.

BUILDING, TIMBER, ROADS Contd. Table continuing construction and infrastructure companies.

CHEMICALS, PLASTICS Table listing chemical and plastic companies with columns for stock name, price, and other financial data.

DRAPERY AND STORES Table listing retail and clothing companies with columns for stock name, price, and other financial data.

BUILDING, TIMBER, ROADS Table listing construction and infrastructure companies.

DRAPERY AND STORES—Contd. Table continuing retail and clothing companies.

ELECTRICALS Table listing electrical companies with columns for stock name, price, and other financial data.

DRAPERY AND STORES Table listing retail and clothing companies.

DRAPERY AND STORES Table listing retail and clothing companies.

ENGINEERING Table listing engineering companies with columns for stock name, price, and other financial data.

ENGINEERING—Contd. Table continuing engineering companies.

ENGINEERING—Contd. Table continuing engineering companies.

ENGINEERING—Contd. Table continuing engineering companies.

ENGINEERING—Contd. Table continuing engineering companies.

INDUSTRIALS (Misc.)—Contd. Table continuing miscellaneous industrial companies.

INDUSTRIALS (Misc.)—Contd. Table continuing miscellaneous industrial companies.

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INDUSTRIALS (Misc.)—Contd. Table continuing miscellaneous industrial companies.

INSURANCES Table listing insurance companies with columns for stock name, price, and other financial data.

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LONDON SHARE SERVICE

Handwritten signature: J. J. ...

INSURANCES - Contd

Table of insurance companies and their share prices, including Royal Indemnity, Overseas Indemnity, and others.

LEISURE

Table of leisure companies such as B&M Group, Leisure Group, and others.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade companies including Rover, Leyland, and others.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publishing companies like News International, Newsprint, etc.

PAPER, PRINTING, ADVERTISING

Table of paper, printing, and advertising companies including Newsprint, Newsprint, etc.

PAPER, PRINTING, ADVERTISING - Contd

Continuation of paper, printing, and advertising companies.

PROPERTY

Table of property companies such as British Land, Land Securities, etc.

TEXTILES - Contd

Table of textile companies including British Textiles, etc.

TOBACCO

Table of tobacco companies.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land companies.

TRUSTS, FINANCE, LAND - Contd

Continuation of trusts, finance, and land companies.

OIL AND GAS - Contd

Table of oil and gas companies including BP, Shell, etc.

MINES - Contd

Table of mining companies such as Anglo American, De Beers, etc.

Notes section containing various financial and company-related annotations.

REGIONAL & IRISH STOCKS table listing regional and Irish share prices.

TRADITIONAL OPTIONS table listing 3-month call rates for various stocks.

GUARANTEED PERFORMANCE Leading the way TELEPHONE: 01-229 2260 TELEFAX: 27922

WORKING WITH NEW TECHNOLOGIES Leading the way TELEPHONE: 01-229 2260 TELEFAX: 27922

Bad trade figures hit UK markets

SIMON HOLBERTON AND PHILIP STEPHENS

UK FINANCIAL markets fell sharply yesterday in the wake of bad trade figures, which showed another large deficit, but later regained some of their composure to end the day off their lows. The pound lost almost two pence and two cents after the release of figures which showed a current account deficit of £720m for February against a consensus forecast in the market of £400m.

Nigel Lawson, Chancellor and Mr Robin Leigh-Pemberton, Governor of the Bank of England. The meeting was described as a routine post-Budget review, but it was privately acknowledged in Whitehall that the principal aim was to clarify official policy towards the exchange rate.

Bonn hunts for East German spy suspects

By David Marsh in Bonn

AN OPERATION to round up suspected East German spies was under way in West Germany yesterday. Police are believed to have called in 15 people for questioning.

Reagan issues warning to Israel

BY LIONEL BARBER IN WASHINGTON

PRESIDENT Ronald Reagan yesterday warned Israel not to make a pre-emptive strike against Saudi Arabia's newly-bought, Chinese-built, medium-range missiles.

Last Sunday Mr Yosi Ben Aharon, an aide to Mr Yitzhak Shamir, Israel's Prime Minister, said on Radio Israel "the possibility exists" his country could destroy the missiles.

US responds over Afghanistan

BY ROBIN PAULEY, ASIA EDITOR, IN GENEVA

THE UNITED STATES yesterday agreed in principle that the Geneva talks on securing a Soviet withdrawal from Afghanistan could be raised to super-power status.

become part of the Geneva negotiations. He also asked them to send senior diplomats to Geneva - presumably Mr Michael Armacost, US deputy secretary of state, and Mr Yuli Vorontsov, First Deputy Soviet Foreign Minister - to try to resolve this issue, which deflated Mr George Shultz, US Secretary of State, and Mr Eduard Shevardnadze, his Soviet counterpart, at their Washington negotiations.

Vorontsov have full lists of engagements next week. The chances of Soviet agreement are regarded by all parties in Geneva as slim. However, an important concession on the "symmetry" problem offered by the US during the Shultz-Shevardnadze meeting has raised hopes.

OFT official's brother charged

BY RICHARD WATERS

The 28-year-old brother of an Office of Fair Trading employee was charged with two insider dealing offences yesterday, following a Department of Trade and Industry investigation of information leaked from the OFT.

believed to relate to alleged offences involving at least £10m. Mr Greenwood was charged with knowingly obtaining from his younger sister, Mrs Sara Cohen, information that hits by McCannoodle plc for Richard Clay plc in August 1985 and the BFT bid for SGB plc in September 1985, had been referred to the Monopolies and Mergers Commission.

The charges said Mr Greenwood dealt with the companies' shares when he knew the information was unpublished and price sensitive in relation to shares of the companies. Mr Greenwood's sister was suspended from duty during the DTI investigation. She has since been allowed back to work and has not been charged with any offences.

Du Pont to phase out products which harm ozone layer

By James Suchan in New York

DU PONT, the big US chemicals company, is to phase out a group of products widely suspected of damaging the ozone layer in the upper atmosphere which protects life on earth.

The announcement that it would stop production of chlorofluorocarbons was welcomed as a breakthrough by environmental groups yesterday.

The decision by the world's biggest producer of chemicals seems likely to put pressure on other companies and countries to follow suit and could intensify an industry scramble to find safer substitutes.

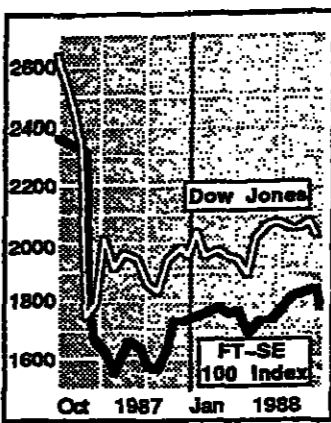
The chemicals, which are used widely in refrigeration, electronics cleaning agents and foam insulation, are believed by scientists to rise into the atmosphere and destroy the ozone molecules which shield the earth from ultra-violet radiation. The chemicals are also widely used in aerosols outside the US.

The Du Pont decision was seen as likely to put pressure on European countries to ratify the Montreal protocol. So far, only the US and Mexico have approved the treaty.

THE LEX COLUMN

Equities peer into the gloom

FT Index fell 13.3 to 1408.3



A nervous shiver has run through the financial markets this week. The earlier bullish mood, which had seen share prices around the world nudging their highest levels since last October's Crash, has given way to a much more gloomy view. Suddenly, all the bullish explanations for even higher share prices have evaporated, and been replaced by concerns that perhaps this week's events mark the beginning of the second leg of a bear market.

There are a number of reasons for the abrupt about turn in sentiment, and not all of them are sensible. The sight of companies, such as Lucas and Toolak, tapping the market for funds has raised understandable concerns that there is a long queue of ancient UK companies just waiting to call on the much-shrunken share of institutional funds earmarked for the equity market. Meanwhile, the threat of a strike at a major exporter like Jaguar and the terrible January UK trade figures may indicate that oversteering, rather than the threat of an early recession, is the dominant issue for the financial markets.

As most companies can choose when to pay their dividends, it is difficult to see why so many are making their final payment just a day or two before the new low income tax bands are introduced. Presumably they are not so short-faced as to believe that the managing shareholders' tax liabilities are beyond their brief? Or not so inflexible that, having named the payment date before BP that did not pay off, it threw money at the business in an attempt to make something really big instead, it built a company with slightly below average operating margins and sustaining

large below the line costs. Those costs appear to be easily eliminated, on which basis the deal looks acceptable; and if Systems Designers can also bring operating costs in line with its own, it starts to look positively cheap. More important, the deal will put Systems Designers into the big league at a time when software is becoming increasingly international and increasingly capital intensive. It is just as well that BP was prepared to sell the thing off cheap in view of its horrific bottom line, or else the costly financing would have made the whole exercise impossible. The package of rights issues, tempting connoisseurs of a difficult market. This is one of the first important acquisitions since the crash financed with paper, and the scale of the incentives for what looks a good buy shows it is too early to predict that this will be the first of many such deals.

While most private companies should certainly delay their dividends until April 6 - to minimise the tax liabilities of their owners - large public companies must contend with a variety of shareholders with contradictory fiscal needs. For high taxpayers the disadvantages of early payment are large and obvious; for basic rate payers it does not make much odds either way, whereas pension funds and other non-tax payers actually gain by getting the money this year, as they will get a higher tax credit. Given that only one fifth or so of UK shares are owned by private individuals, not all of whom will pay tax at the top rate, the case for delaying payment seems slender. And if that is tough on the top taxpayers, they have done so well out of the budget that they are well placed to stand it.

How far behind is difficult to judge, but the consensus seems to be about six to nine months. So far, there appears to have been little feed-through into producer prices; metals users have absorbed increases in their margins, drawn down their limited existing stocks and used the forward markets to put off the inevitable. But stainless steel producers, the main consumers of nickel, are now talking openly of raw materials surcharges. And with copper, aluminium and (to a lesser extent) zinc also seller's markets, makers of cars and buildings must also be feeling the squeeze. Pressure on aluminium and copper should ease later this year as additional production capacity comes onstream and nickel may not maintain its place in the stratosphere. But overall, the signal from metals seems to be higher inflation. How much higher is anybody's guess though - especially with soft commodities falling exactly the opposite story.

THE NEW HIGH YIELD CATER ALLEN GILT INCOME FUND LIMITED 12.7% GROSS CURRENT YIELD NOW WE'RE TALKING. After 172 years we feel it's time to let the private investor know about us and about what we can offer. Take our new High Yield Gilt Income Fund for example. It already enjoys substantial assets and delivers an estimated annual yield of 12.7% distributed gross every quarter. Just one of the pedigree products on offer from our offshore arm, Cater Allen Jersey. The Cater Allen group has extensive experience in gilt management, a long established role as a discount house at the heart of the London money market, and an envied reputation as a gilt-edged market maker.

Table with columns: RISES, FALLS, and various stock symbols like Clarke, Nickolls, Mackay (H), Marley, Matthews, Underwoods, etc.

Table with columns: Year, Value, and various city names like Aachen, Alcala, Alcala, Alcala, Alcala, etc.

Trade deficit

forecast may also prove optimistic. Yesterday's figures indicate that the volume of exports, excluding oil and erratic items, fell by 3% per cent in the latest three months compared with the three months ending in November. Imports (again excluding oil and erratic items) were 1/4 per cent lower over the same period.

Continued from Page 1 Seamen

and changes to working conditions in a declining industry. Union officials had privately hoped a national strike threat issued on Monday would strengthen their negotiating position in talks aimed at ending the seven-week strike at Dover. However, P&O appeared confident last night that both sides would now move towards a negotiated settlement including job cuts and changes in working practices which the company sees as essential if the ferry sector is to compete successfully with the Channel Tunnel.

Jaguar Continued from Page 1

lift productivity to combat shifts in the dollar/pound exchange rate, which cut pre-tax profits from £120.8m to £87m in the year to last December. It also wants to reduce customer waiting lists. "We are saying that we need to become much more efficient and productive if we are going to compete in the current economic environment," the company said. "We are asking employees to do a little more than they are doing today, but not more than it is within their capacity to achieve." Jaguar added that it had taken on 600 more workers over the last 12 months in anticipation of

increased production and had also lifted the ceiling on its productivity bonus scheme to enable entry and the body assembly and paint shop, where 2,800 work at Castle Bromwich, Birmingham, are already achieving the required productivity levels. A strike would signal the first serious dispute at Jaguar for

three years. Strongly rising profits since the company's privatisation have helped put its workers among the highest paid in the industry. Yesterday, both sides were holding out the hope that a stoppage might be averted. Jaguar said it would endeavour to explain "even further" to the unions and workforce why it needed extra production and what that would mean. The unions said they were prepared to negotiate if the company withdrew the planned implementation date.

WEEKEND FT

Saturday 26/Sunday 27 March 1988

MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV

IN THE Conservative Association Club at Grays, Essex, on a Sunday morning, we are talking about the working class. From the inside, Frank Mallon, who is having a drink before starting on the first of his working week's seven days, says he was brought up on a council estate in Waterloo, inner London, worked most of his life on building sites and had been a shop steward in UEA's, the builders' union. He has his own small business now but he is still a class warrior.

The other Tories

Britain's Conservative Party has an image of tweeds and middle-class affluence. But John Lloyd finds that the workers have a key role, too

"We were refugees! We were moved out, put on satellite estates here by the GLC" (Greater London Council, now defunct). "We were like the Indians on the reservations. But now we've been set free."

"My family was Labour. But on the issues which affect working class people - defence and law and order and immigration - Labour sold out the working class. That's why the people have been turning to the Conservatives. They (Labour) seem to have turned away from traditional values. The socialists (Labour) prefer to call them socialists, as do the others with him in the club. It is as though 'socialist' is alien and Labour is still homey" have a problem with that at the present time.

stood aside, until the late Sixties; as the heat went out of the sectarianism, that group swung Labour or Liberal. Michael Parkinson, head of the local university's Centre for Urban Studies, says the Protestant workers were able to express their "natural" vote for the first time then, decades after other northern cities had become Labour fiefs.

houses priced at £100,000 - that's very high in Liverpool. That's where you'll see the Labour posters. The working class people support our national policies.

Parkinson doesn't see it that way and thinks the Tories will stay firm because "Thatcher and Tebbit" (Norman Tebbit, the former party chairman and Cabinet minister noted for his political abrasiveness) "have no resonance up here."



The Conservative working class is to be found all over the place, of course, but Essex is a rich source for the dislike of immigrants. When Harvey Proctor, the former member of Parliament for the Billericay constituency, was having trouble over allegations of sadomasochistic homosexual practices, it emerged that his strongest supporters were former Essex Prime Minister Harold Macmillan offered affluence ("Don't let Labour spoil it"). Decided as spineless cap-doffers by the Left, Conservative working people were quite often neither: they saw in the Conservatives a party which would put Britain first, defend the established faith against Irish Catholicism and Liberal non-conformism, knew how to run the economy, and had no truck with Communists.

In the small suite of offices which the Tories keep up, there is a photograph of the Conservative majority on the city council of 1984. They sit looking civilly virtuous, at Hugo Maudson, the hyperactive Scotsman whom the party sent in as agent two years ago to try to turn the place around; and his colleague Stephen Marsden, the party's political liaison officer, who owns a sports retail business.

FROM A STRUGGLE with failure to the fruits of success - but again, on a different model from Essex, John Bowls won the Battersea North parliamentary seat in south London from Labour's AH Dubs last June. He got it by working away assiduously street by street. Bowls is as keen as any Tory to extend his party's appeal - and race is central to his view. But his view is wholly different from the Essex one.

The Conservative Party has always appealed to a large section of working people. It was mobilised into imperialism late in the 19th century by Disraeli, who added the vital ingredient of social paternalism. When the party let go of empire, after Suez, Prime Minister Harold Macmillan offered affluence ("Don't let Labour spoil it"). Decided as spineless cap-doffers by the Left, Conservative working people were quite often neither: they saw in the Conservatives a party which would put Britain first, defend the established faith against Irish Catholicism and Liberal non-conformism, knew how to run the economy, and had no truck with Communists.

Maudson and Marsden are overseeing a discreet revolution in Liverpool Toryism. They want to win back their working class support - with the revolutionary tactic of pushing party policy. Liverpool's Tories have been dripping "wet" for a century ("They offered social reform without socialism," says Parkinson). Now, the "older people," as Maudson calls them diplomatically, are out of the four sitting councillors, only one, the group's baby in his early 40s, will stand again in May when one-third of the council goes up for re-election.

"I haven't found much racism in my area; usually, it's the older people and that's fairly mild. I get more complaints on the sexual issues and minority rights... the attitudes of the Asian population, the group's baby in his early 40s, will stand again in May when one-third of the council goes up for re-election."

ethnic groups as part, or potentially part, of the great Conservative family. They do so quite differently from Labour, which in its structure has tended to have all dark-skinned British - from the Caribbean, Africa, India, Pakistan, Bangladesh - into one category called "black," treating it as a group suffering discrimination and needing help. The Tories now differentiate and seek, in the cultures of different nationalities, some assurance with Conservative values.

Essex Toryism shares some of this. But at the club on the Sunday morning, Frank Mallon, with friends Brian Beardwell and Ted Atwell, also express a militancy which in key respects has more in common with the class warriors of the old Communist Party (and Labour Party) than the image of Toryism.

Yet, they also are proud. Proud of their class, proud to have improved themselves and their living standards, proud to be Tories, proud to be leaders of the local party (Beardwell is the chairman, Mallon is on the executive - as well as the Billericay executive - and Atwell is the agent. More than their opposites on the Left, they are suspicious of a media which they see as very largely hostile to them, partly on grounds of belief - especially immigration - and partly on grounds of class.

Apert from Atwell, now retired but still highly active, they do not like to be pressed on immigration. Beardwell says: "Immigration isn't a big issue here. Let's just say we support our local MP on voluntary repatriation."

THEIR LOCAL MP is Tim Janman, who won the seat from Labour's Dr Oonagh Macdonald last June, in doing so, he stripped Labour of its last seat in south east England outside London. The Tories selected him with as much care for the purity of his views as any hard Left-dominated constituency. He was among three right-wingers on the final short list. Atwell says: "When we were selecting our MP, we didn't want someone who'd go all soft once he got into Parliament."

'I believe people want to see traditional values projected into the future'

the African vote (Ghanaian, Nigerian). Africans like the British economy. Moslems like British morality. "I think there's a shift in the ethnic majority position, particularly if they embrace a religion with high moral standards. The longer they live in this country, the more they tend to vote on non-immigrant related issues."

A GRAPHIC INSTANCE of the disparate strands that can contribute to the modern Conservative populist appeal is to be found in the Committee for a Free Britain, founded by an energetic and inventive property millionaire, David Hart, who played a large role in bolstering the working pitman of Nottinghamshire during the 1984/85 miners' strike. He identified, in the sexual radicalism of many Labourers, an emerging party of councils (both controlled by the so-called hard Left of the Labour Party), another source of socialist oppression of the working class and he lent his considerable support to the Hartingey Parents Rights Group, which opposes that radicalism.

Hart, like others on the Right, has sensed that economic radical-liberalism needs a social and ideological framework - and in identifying as oppressors union leaders, left-wing councils, the rem-

No one defies the cap now, at least not to politicians. Indeed, the Conservatives have arguably had much success in presenting themselves as the party which lets you keep your cap on everywhere. But the extraordinarily fluid and flexible politics which make up British conservatism now offer the working and lower middle classes a range of appeals. Some of them inherently are contradictory but all are held together, first, by a frank invitation to enrich yourself and, second, by hostility to the alternatives.

The transformation is much more than a change of cast, though. Marsden, less diplomatic than Maudson, casts himself in the role of the radical, pushing through Thatcherism on an inert party which had lost votes and ceased to think. Marsden hates the old Toryism which promised to get more money for the council from central government, and to make no cuts in services or council staff. He wants housing, services and staff cut to the bone, even to nothing. Choices is the watchword.

Working class Conservative politics has often been crucially "about" race: it has historically been able to express resentments and fears, prejudices and pressures, which Liberalism and Labourism could not, at least officially. It does still, in the thick and thin, and further afield. But, in the inner cities, "sending them back" has ceased to be public politics for all but the fragmented fascist groupings.

LIVERPOOL CONSERVATISM has been at the opposite end of the appeal range to Essex: it is also at the opposite end of the popularity range. Here, a vigorous working class conservatism, which retained a Tory council in frequent office until the late 1980s, has all but disappeared: the Conservatives hold four of the city council's 59 battle-scorched seats. The Protestant working class, hostile to Labour and Liberal Tories, (it existed, with a handful of seats in wards from which the Tories

For the people of Liverpool at the moment," says Marsden, "from the time they're born to the time they die, they're dependent on the local council... the policies of Labour and of the Liberals have always been 'Well, offer you a marginally less intolerable future if you let us control the system.' We're saying - forget the system - YOU can take control!"

But will they? In the square miles of council housing, the crumbling terraces, the racket-ridden streets and the part-decaying city centre, which they see what a future could be theirs if they opt out of the test of public provision from which, after all, a thin but dependable liquid does flow? Will the working class of Liverpool vote Tory again? "Yes," says Marsden. "I get more support in my ward (Cresswell) from the people in the estate paying £13 a week rent. Round the park in my ward, there are

The Long View

It's time for managers to be brave

IT IS MORE glorious to take part than to win, we are told. But what would happen to the Olympic ideal if every runner were to insist on a winner's prize as a pre-condition for starting the contest?

Barry Riley casts a critical eye over fund management and suggests that while everyone gets a handsome fee for taking part, the public fails to notice that performances are slipping year by year



companies fund to be promoted instead. Specialisation can divert attention from the general mediocrity.

In pension fund management the promotion is lower key, and presented more carefully in terms of professional jargon. But the puzzle is the same, and the fostering of the illusion of outperformance is a fundamental part of the game.

Now you see it, now you don't. The performance box is all-too-often empty. But, in one respect the fund management industry has indeed achieved an impressive conjuring trick: it has transformed itself from a cost centre into what is perceived to be a profit centre.

The difference is crucial. A cost centre is unglamorous and is assigned to technicians to run as efficiently as possible. They will install computers, transfer the operation to a cheap out-of-town site and de-skill the procedures so that they can be operated by low-paid staff.

A profit centre is something quite different. It attracts the most talented and ambitious managers who seek a share of those profits. It demands heavy investment in future growth, even if this reduces short-term returns.

But are profits really being made? That's the puzzle. The statistical techniques for determining if managers really are adding value have been developed only gradually. And, during the past decade or so, the absolute returns have been so high (on average, 17.5 per cent a year for UK pension funds in the past seven years, according to WM) that the fund managers have been carried along on the crest of the wave. In 1987, though, they were dumped unceremoniously on the beach.

of course, essential if fund managers are to command high fees. If they are going to outperform the indices consistently by 2 per cent a year, a fee of 0.2 per cent of assets must be cheap. Put yourself in the shoes of a responsible trustee who cares properly for the interests of his clients' members. Can he choose a manager with modest performance targets (albeit charging low fees) when he can select the very best for an apparently modest, and self-financing, outlay?

In the US, the pension fund management industry is a stage ahead in development. Curiously, the fees of some, performance-seeking managers are at least twice as high as in the UK. On the other hand, automated management techniques are used much more widely. The big commercial banks with their data processing factories have sold their standard packaged products on a far greater scale than in Britain so far.

In the UK, the 1987 outcome is bound to cause a reassessment, not least because active management has become positively hyperactive. According to WM, the turnover of pension fund portfolios has been on a rapidly-increasing trend. In 1981, the average UK share was being held for 2 1/2 years but, by 1987, for only 2 1/2 years. The typical foreign equity lasts only 1 1/2 years in the portfolio. And these numbers, are long-term funds.

Two lessons stand out. One is that the only certain way of improving performance is to cut management costs, which include dealing expenses as well as actual management fees. The index-matching approach is a particular way of doing this, but an index is not necessarily a logical target for a fund.

Investment management has become that kind of race. League tables are published, and the winners have a few fleeting moments of glory on the rostrum but are seldom seen again. Fortunately, everybody gets a handsome participation fee and the audience fails to notice that the performances are slipping year by year.

The UK fund management business had a hazardous, some might say chastening, year in 1987. Take pension fund managers, for instance according to figures published this week by the biggest performance-measurer, the WM Company, the average pension fund of the 1,279 in the sample (worth an aggregate £139bn) achieved a total return of only 3.4 per cent.

With the exception of foreign equities, the assets in which they were invested did rather better than that. So, the outturn is disappointing, quite apart from the question of whether the fund managers should have seen the October crash coming and increased their liquidity ahead of it (hardly any did).

These facts are not especially shameful, institutions as a whole find it hard to beat the market because, for most purposes, they ARE the market. Occasionally, domestic fund managers can make a turn at the expense of foreigners or private investors (as in the early stages of the October crash, when private individuals were buying stocks being dumped by the institutions). Otherwise, fund management is a zero sum game.

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MARKETS

Prospect of big fall makes City nervous

WITH ONE EYE on the history book and the other straining perhaps too far into the distance, the London equity market has developed a squint. But even banging some hard facts against its head is unlikely to restore clear vision immediately. This market sees only what it wants to see.

This was manifest on Thursday when Lucas Industries' £162.7m rights issue, the largest post-crash cash call but historically quite modest in size, caught the initial blame for setting off a nearly 50-point tumble in the FT-SE 100.

Warburg Securities estimates that pension fund liquidity will stand at 8 to 9 per cent by the end of the first quarter, the highest since 1974. This compares with the historically low level of 3 per cent in June last year.

Institutions' reaction to Lucas, however, shows just how nervous they remain about committing this cash hoard. Their calculations transcend the short-term sting of having been struck with shares through sub-underwriting commitments last autumn. However opportunistic Lucas's timing

London

might have been, the issue itself was not priced aggressively and should have been digested easily in a market with a modicum of self-confidence.

Investors deserve code of practice

ALL GOOD FAIRY tales have happy endings, and the history of the Business Expansion Scheme, sponsors often have cast the Unlisted Securities Market in the role of the handsome prince.

HIGHLIGHTS OF THE WEEK

Table with columns: FT Ordinary Index, Price, Change on week, 1987/88 High, 1987/88 Low, Focus over world economy transition.

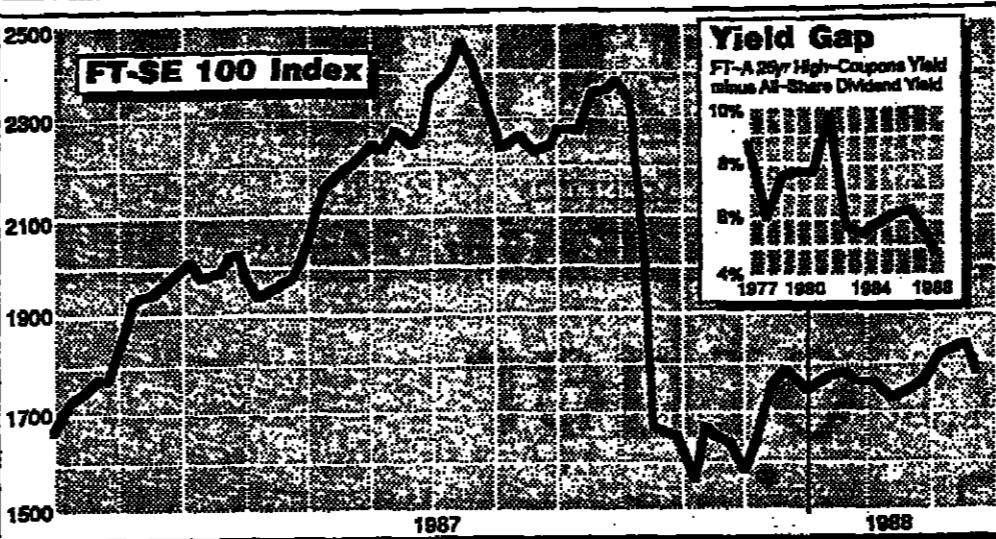
The point of the USM placing was to bring in institutional holders who would be prepared to give the company long-term support. The more shares that were available for BES investors, the fewer that could be given to the institutions.

For those who can put the past behind them, clouds loom at the other edge of the horizon. What will the strong growth in the UK economy begin to flag? What fiscal and monetary policy will emerge after the US election?

Anyone looking for a reason not to invest in equities had a wide range of reasons from which to choose, including the uncertainty involved in a three-week trading account sandwiched around the Easter holidays.

Junior Markets

locked-in for nearly two more years. In the circumstances, Capel Cure limited the BES "lumpy" to around 4 per cent of the issue while they waited to find out whether they would get their shares," he adds. "That would have cost around 2 per cent of the issue."



Prudential Corporation and BAT Industries (through Eagle Star) also felt the lash of the crash. Better news from retailers Woolworth and Burton Group was not appreciated fully by a market still looking for signs of a slowdown in consumer spending.

Maxwell boom

THE metamorphosis of the British Printing & Communication Corporation into MAXWELL COMMUNICATIONS coincided with a period of phenomenal growth for the company, which is likely on Wednesday to unveil results for the year to the end of 1987.

Prudential Corporation and BAT Industries (through Eagle Star) also felt the lash of the crash. Better news from retailers Woolworth and Burton Group was not appreciated fully by a market still looking for signs of a slowdown in consumer spending.

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Results Due

Table listing companies and their results due dates, including Acorn Computer, American Tyre, and others.

COMPANY NEWS SUMMARY TAKE-OVER BIDS AND PRICES. Table with columns: Company, Value of bid, Market price, etc.

PRELIMINARY RESULTS. Table with columns: Company, Year, Pre-tax profit, Earnings per share, Dividend per share.

INTERIM STATEMENTS

Table listing companies and their interim statements, including Alfa, Berratt Develop, and others.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

Table showing interest rates for clearing banks, building societies, national savings, money market accounts, and British government stocks.

RESULTS DUE

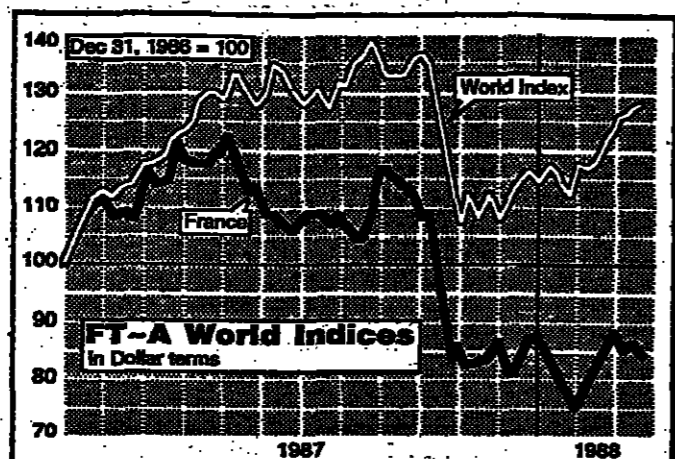
Table listing companies and their results due dates, including Acorn Computer, American Tyre, and others.

MARKETS

Mitterrand has the Bourse bears on the prowl

FRENCH stockbrokers are an ungrateful lot. Having spent the last two months worrying about the possible re-election to the presidency of the man who presided over the longest bull market they had known, now that Francois Mitterrand has finally made up his mind to run for a second term in the Elysee Palace, they are trying to convince themselves that he cannot win.

On Wednesday, the morning after Mr Mitterrand had announced his candidacy on the television, stockbrokers were burning up the telephone lines in a frantic effort to convince themselves, and their clients, that he will not be elected. "I thought he



FT-A World Indices in Dollar terms. Slightly compiled by the Financial Times, Goldman, Sachs & Co. and Wood Mackenzie & Co. Ltd. in cooperation with the Institute of American and the Faculty of American.

and privatising in the last few years. In other words, no rationalisation of the recently privatised companies, but no new privatisations, either.

While most in the market took this as good news, a few determined pessimists adopted the view that rationalisation was the only credible takeover hope for many of the privatised companies, and gloomily crossed them off their list of bid speculation stocks.

In the rest of the market, however, takeover activity continued apace, with the battle for Telemeccanique, the industrial automation company covered by Schneider, the electrical and construction group, and by Frantome, the nuclear plant builder which came in in the improbable costume of white knight, finally drawing to a close.

The battle, in which the bids mounted progressively from FF7900 (\$270.58) a share to FF8500, then dropped to FF7400 before finally ending up at FF5400, has pointed up many of the obscurities in French takeover regulations. In particular, the questions of purchases in the market while a bid is in progress, and of the propriety of making a bid for only part of a company's capital, have been starkly highlighted.

The Finance Ministry is now reflecting on what should be done about takeover rules, but its thoughts are turning more in the direction of how companies should be allowed to defend themselves against hostile bids. This question was also highlighted by the Telemeccanique affair, in which the employees,

FT-ACTUARIES WORLD INDICES

Country	% change from Jan. 1987	% change since Oct. 1987
Australia	+12.9	-21.2
Austria	-4.9	-18.3
Belgium	+97.9	+15.0
Canada	+2.5	-2.4
Denmark	+5.4	-2.5
France	+1.0	-17.6
Germany	+11.4	-20.5
Hong Kong	+14.7	-23.2
Ireland	+12.0	-23.9
Italy	+5.9	-15.9
Japan	+12.4	+2.5
Malaysia	+18.4	-27.5
Mexico	+21.0	-64.6
Netherlands	+11.9	-61.9
New Zealand	+6.2	-41.9
Norway	+22.0	-28.2
Singapore	+10.9	-29.1
Spain	+17.5	-18.2
Sweden	+25.4	-11.5
Switzerland	+6.5	-20.1
UK	+2.8	-18.7
USA	+5.0	+5.5

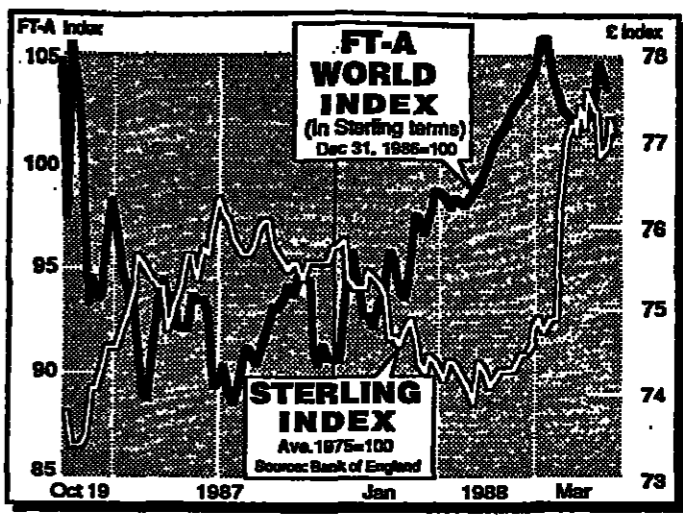
Frantome, describes as "crazy."

His earlier bid, though higher, extended to only a part of Telemeccanique's capital, with the option of scaling down the numbers of shares accepted. This made it likely that shareholders would have been able to cash in only half of their shares.

The other major takeover battle now in progress, for the energy group Rhin-Rhone, is progressing more smoothly. Rhin-Rhone's principal minority shareholder, the oil giant Elf-Aquitaine, decided to counterbid against Mr Vincent Bollore, France's "manager of the year" and darling of the colour supplements, who has now come back with an improved offer, at an as yet undisclosed price.

Elf is quite big enough to look after its interests as minority shareholder. Other smaller investors often find themselves in a weaker position when the controlling shareholder gets an idea into his head.

Some Italian brokers have been delighted by Mr Carlo de Benedetti's deal to sell the activities of the Buioni group, which he controls, to Nestle of Switzerland. They consider that the deal takes into account the interests of the small shareholders in Buioni SpA, the Italian arm quoted on the Milan bourse. In France, many brokers take exactly the opposite view of the deal as it affects minority shareholders in Buioni SA, the French division which is listed on the Paris stock



FT-A World Index (in Sterling terms) Dec 31, 1986=100. Sterling Index (Ave. 1975=100) Dec 31, 1986=100.

Paris

It is here that the impediments began. Mr Mitterrand made it clear that he would not automatically dissolve parliament if re-elected, but would name a prime minister within 24 hours. Dissolution would only follow if the Government found itself unable to govern. Mr Barre seized this particular caserole the following day by saying that he would not automatically vote "no confidence" in a government named by Mr Mitterrand.

The Rums paper test which Mr Barre gave for supporting, or rather refraining from opposing, a Mitterrand-nominated prime minister was the question of nationalisations. The president, however, had already answered this question by indicating that in his view there had been altogether too much nationalising

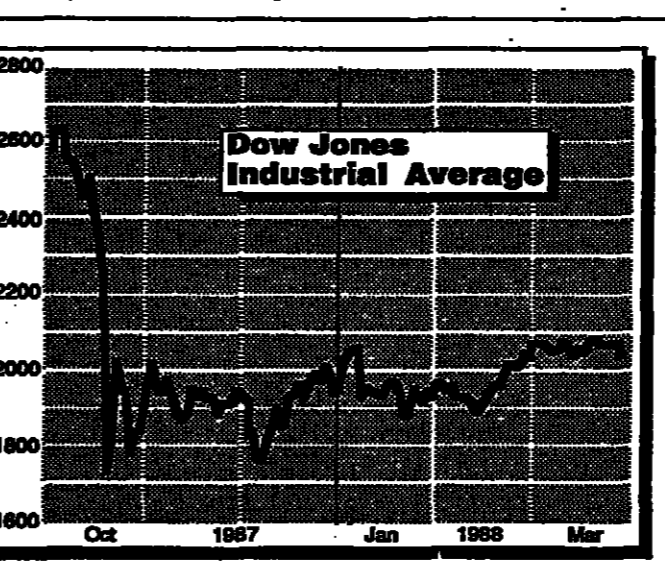
on Wednesday, before brokers turned their minds to higher things on Thursday and took the index up 1.2 per cent.

The President's entry into a campaign previously remarkable largely for its triviality has given a new zest to the electoral calculations. Current opinion polls make Mr Mitterrand a clear winner, taking around 54 per cent of the votes in the May 8 second round run-off between the two leading candidates from the first round two weeks earlier. Even his main right wing rival, Mr Jacques Chirac, the RPR prime minister, and Mr Raymond Barre, the former prime minister under President Valery Giscard, appear to have accepted a Mitterrand victory as inevitable and are laying their plans for what to do afterwards.

at least as great a threat to the international financial system.

At present, however, investors are preoccupied with a different - indeed opposite - set of dangers. The fashionable fear on Wall Street is of inflation and high interest rates. Given that there are few signs of accelerating inflation in the economic statistics, the dollar exchange rate is the tangible form taken by these terrors.

It was the sharp fall of the dollar against the yen last week that sparked off Thursday's panic in the market. It is possible to imagine this panic continuing next week if the Japanese and US authorities are foolhardy enough not to hit the currency markets soon with a powerful show of concerted intervention in support of the dollar. The chances are, however, that the authorities will act decisively to bolster up the dollar. As long as the US economy still seems to be growing



Dow Jones Industrial Average. World's attention in the last two weeks - the bankruptcy of the US savings and loan and real estate industries. This could eventually cost as much to resolve as the Third World debt crisis, and pose

and market. They are trying to build up enough support to block the deal at an extraordinary general meeting in June.

Mr de Benedetti, with 47 per cent of Buioni SA's capital, can muster 59 per cent of the votes through his double voting rights - not enough, though nearly, to give him the two-thirds majority he needs. The Commission des Operations de Bourse, the stock exchange watchdog authority, is investigating to see whether the sale of all a company's assets and activities does not change its corporate purpose and constitutes an abuse of the majority shareholder's position.

Meanwhile, the market remains cautious in the face of next month's cash call from Suez, which is issuing a FF4.5bn convertible bond to finance its stake in the battle across the border for

Société Générale de Belgique. The new issues market is not what it once was, but a bright sign came last week with the flotation on the Lyon second market of Cermex, a maker of packaging equipment based in Burgundy. It was almost like the old days for the second market, which two years ago used regularly to see flotations put off two or three times because the weight of applications swamped the number of shares on offer.

Cermex, which was offering 26,000 shares by tender at a minimum of FF100, saw bids for 983,154, 80 per cent of them at best. The flotation has now been put off till Monday, and will take place by way of an offer for sale at FF120 a share.

George Graham

Trading limit stops a panic

YET AGAIN the 50-point limit on the stock market's daily movement has been tested and has triumphantly survived. With Thursday's fall of 43.77 points in the Dow Jones Industrial Average, the New York Stock Exchange has maintained the success rate of its restrictions on computerised programme trading.

As this column pointed out two weeks ago, the limits on programme trading introduced in January had so far been successful in damping the volatility of the whole market on any given day. Thursday was no exception. As the Dow fell by 32 points within the first half hour, the wild of panic began to spread, and some big investors even started to mumble - only half-

jokingly - about a repetition of October 19.

By early afternoon the Dow's fall had extended to the magic 50-point mark. Then, suddenly, the selling stopped. For the fourth time out of four, the

Wall Street

NYSE's 50-point daily limit on programme trading, translated into a 50-point limit on swings in the market as a whole, had held. As on the previous three occasions, the market moved within a range of five points of its Thursday close before starting to fall again more sharply just before lunchtime. It seemed the ban on programme trading had helped prices to stabilise at a level which investors found acceptable, at least for the time being.

As speculators have known for years in the casino-like commodity markets, where daily trading limits are considered indispensable, there is nothing like a good

night's sleep for bringing some common sense back into the free play of rational market forces. Of course, no amount of regulation is likely to change the trend in market prices, whether it be up or down. In terms of economic fundamentals, the US stock market and others still seem substantially overvalued.

The reason they are overvalued is that the world economy is likely to move into recession at some point within the next 12 months. When a recession does begin, it will expose all kinds of gross imbalances in the world's financial and economic structures. The problems will go far beyond the mantra-like litany about US trade and budget deficits. Suffice it to mention just one example brought to the

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FINANCE & THE FAMILY
David Barchard explains what happens when a building society converts itself into a company
Cheerful tidings for Abbey National customers

ABBEY NATIONAL'S decision to convert itself into a company is good news for those who had mortgages or savings deposits worth more than £100 with it at the end of the last financial year. They can look forward to several things:
* The right to vote on whether the conversion should go ahead.
* Preferential shares in the new company being set up
* Other possible flotations privileges including a cash bonus.

money into societies about to become companies.
Borrowing members (those holding Abbey National mortgages) and qualifying shareholders - those who have savings of more than £100 deposited with the society - will both have to vote to approve the transfer of the old building society's assets to the new plc which will replace it.

est to the societies and generate their main income by doing so. To that extent they contribute more than savers.
If there is little point in depositing funds with the Abbey National at this late hour, where else should one look?
Two or three more conversions may well be announced this year.

Higher demand

NO GENERAL reduction in the cost of mortgages is expected to follow last week's cut in the bank base rate from 9 to 8.5 per cent. The reduction was against the trend and it would need another cut to bring home loans down, as banks and building societies are uncertain if the lower level will be sustained.



has launched a home loans scheme linked to Labor (the London Interbank Offered Rate). The rate, which is set quarterly, starts at a very competitive 9.5 per cent, only 0.75 per cent above present money market rates. This margin will be increased to 1 per cent in subsequent quarterly reviews.

Fracas at Framlington

Nikki Tait looks at the extraordinary takeover battle within the group
FOR INVESTORS in the 13 Framlington unit trusts, this week's takeover battle can scarcely have been soothing.

Whether management will actually change as a result of current fracas - even if the Throgmorton bid wins the day - is an unknown factor. Throgmorton concedes that management changes could be expected in the event of its success, but stresses that "these will be at the business management level and not at the investment management level."

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NOTICES have been sent this week to the 3m shareholders in British Gas reminding them that the third and final payment on their shares is now due and must be received by April 13.

Payment reminder

NOTICES have been sent this week to the 3m shareholders in British Gas reminding them that the third and final payment on their shares is now due and must be received by April 13.

Deadline on A-day

LEGISLATION aimed at improving investor protection is about to become effective at last. Francis Monda, the Corporate Affairs Minister, announced this week that A-Day, when the provisions of the 1986 Financial Services Act come into force, will be April 29.

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FINANCE & THE FAMILY

John Edwards eavesdrops on the Chester family

It may be time to reap those capital gains

"THE MORE I look at the Budget, the more confused I become. I just don't know what to do about the new capital gains tax. Should I sell my shares now, or wait, or what?"

"I just don't know what to do. Gerald is too busy preparing for the property surge and trying to get involved in a Business Expansion Scheme. And Bernard seems more concerned about the Deutschemark and interest rates. Come on Robert, you're a financial adviser, you should be able to help an old fogey like me."



Hugh and Kathleen

"Well, Dad," said Robert, a bit miffed that he was third choice for advice, "I can't predict what's going to happen to the stock market but I agree about the Budget. It certainly does change things a lot for investors. We will have to do a lot of new thinking. Most investment strategies until now have been based on turning income into capital to take advantage of the lower rate. Now it seems in today's market conditions, that is no longer worthwhile and we've got to adjust accordingly. Although the capital gains exemption is to be cut to £5,000 it is still useful, however, so one shouldn't go overboard."

"So you're suggesting that you've got to make your mind up to do pretty quickly before April 6, when the new tax system comes into force, and I agree it is rather confusing. So much so that I asked Elaine's sister, Bridget, if she could come to the

office to give us a run-down. She's not my cup of tea, but she is an accountant and she knows who to contact at the Inland Revenue. She should be here shortly."

Right on cue, Robert's secretary announced that Bridget had arrived.

"Hugh's got a problem," said Robert after greeting his sister-in-law somewhat perfunctorily. "He's got quite a large portfolio of shares, including a large part of the family estate agency business - in which he is still paid as a consultant - although as you know Gerald has taken over as boss. Hugh's a bit confused as to what to do about the new capital gains tax and some of the shares he's been holding for some time. I must say I'm a bit interested too."

"Well," said Bridget. "I'll do my best, as it's family. But, of course, so much depends on individual circumstances that I don't want to be pinned down."

"Spoken like a true accountant," said Robert. "As far as I understand it, under the new measures from April 6 all holdings bought before 1982 can be retained at their 1982 value for capital gains tax purposes and you can use that complicated indexation process to further reduce your liability. But if you wait until April 6 then you face paying tax at your top rate of income tax. That means 40 per cent if you're a higher-rate taxpayer, instead of the present 30 per cent flat rate for capital gains."

"That's as clear as mud," said Hugh impatiently. "It may be easy enough to find out the value of quoted shares in April 1982, but how on earth do I find out the value of shares in unquoted companies, that stamp collection I bought in 1970 as a hedge against inflation, and that cottage in Devon? Should we just retire to bed?" Kathleen insisted on staying put. I wouldn't mind selling that, but there would be a huge capital gains profit and I hate handing money over to the Government. Did you get any guidelines from the Revenue, Bridget?"

"Yes, I did," said Bridget, "although as usual they were a bit sniffy. There's no real problem with quoted shares. Their valuation is based on the lower

price quoted in the official Stock Exchanges list on March 31 1982, plus a quarter of the differential. If the share price is quoted at 100 to 110p, then you would add 25p to 100p, making 125.5p. Of course you will have to judge for yourself the size of the gain in value made from the date of purchase before 1982, and after that take into account indexation, before deciding whether to realise your profit or not. It does vary considerably. The stock market overall has surged since 1982, but some shares have not moved up all that much in value since indexation is taken into account. On the other hand there is a case for taking your profit before April 6 this year to pay tax at the lower 30 per cent rate on the accumulated gains above £5,000, rather than wait until 1989/90."

THE FAMILY Chester... Bernard, a merchant banker in the City, is married to Elaine and they have two children, Stephen (13) who is at a minor public school, and Helen (5). Bernard has three brothers. Gerald, the eldest, who now runs the family business, an estate agency; David, a marketing director with an engineering company; and Robert, a financial adviser. His father, Hugh (married to Kathleen) has retired from the family business but still remains a consultant. Elaine has two sisters, Penelope, who is married to a doctor, Richard, and Bridget, an unmarried accountant. Their mother, Alice, is widowed and lives in Hampshire with her cat, Lawson.



Bridget, the tax expert

"Go easy, Bridget, you're making my head swim," said Hugh. "I think I've got the message on shares; I'll obviously have to go through my portfolio. However, I can see some terrible problems sorting out bonus and rights issues, as well as taxovers, when comparing valuations over the years, and there isn't much time."

"But what about non-quoted shares, like my holding in the family business and other things like the cottage in Devon? What does the Revenue say about that?"

"That's where they're being sniffy," replied Bridget. "The stock reply is that the valuation is reached by mutual agreement between the taxpayer and the Revenue. If you suggest a figure that the Revenue considers reasonable then all will be well."

"However, if the Revenue disagrees with your valuation and you haven't got any good evidence to back it up, then their valuation staff will decide. They deal with valuations all the time and have plenty of experience. They did it all before, in 1965. But by their very nature the Revenue are not over-generous, so it's vital to keep anything you might have to support your claim - any letters, valuations at the time or whatever. That will help in any negotiation."

"Sounds more like confrontation than negotiation to me," said Robert. "And a field day for accountants, too."

Lawson taken to task

Philip Coggan explains why the BES industry is feeling unhappy



THE BUDGET AND YOU

NIGEL LAWSON might be the toast of high earners round the country but he is not exactly flavour of the month with the Business Expansion Scheme industry. Charles Fry, the chairman of sponsor Johnson Fry, has sent an open letter to the Chancellor lamenting the Budget changes that have thrown the BES in turmoil. He wants the new £500,000 limit raised to £2.5m - although he is prepared to restrict that to start-up and young companies - and he sees no reason for the £5m limit on shipping issues.

The Chancellor might have altered the rules to allow "assured tenancy" property rental companies to qualify for the scheme, but Fry is unimpressed. His complaint is that the security of tenure afforded tenants is too great and that, unless this security is reduced, few landlords will consider residential property a good investment.

His final paragraph is distinctly tart. "I hope that these comments have been useful," he says. "They are meant to be. I would have been happy to have made them in general terms prior to the Budget had I been con-

sulted. It does occur to me that, as the leading BES fund-raiser, someone might have sought our views."

Although Fry's annoyance is understandable, it seems unlikely that the Chancellor will change his mind. One of the underlying themes of the Budget was that reduced taxes were accompanied by a cut in the number of tax shelters - given that the BES was bound to suffer.

The £500,000 limit should ensure that the BES returns to its basic function of providing venture capital instead of giving a tax break to people investing in their local wine bar. It will be

interesting to see if residential property schemes come to dominate the BES market; however, cynics are suggesting that this could be one more good, but ultimately unsuccessful, idea for boosting the rental sector.

Meanwhile, there is a distinctly dismal air about the existing BES issues. Only one of Johnson Fry's prospectus issues - Edinburgh Tankers - is still open and it can raise only another £400,000.

Other issues - for other sponsors - have been scaled down to meet the new limits. Green Park Health Care, a nursing and retirement home manager, is now seeking to raise just £500,000, rather than the planned £2m. Part of Lawson's complaining also brings in the £200,000 limit now to alter the limit of the BES away from the south-east and towards less prosperous regions. The first company to seize the opportunity could hardly be more remote; Orkney Ferries is attempting to raise £1m (but only £500,000 via the BES) to establish a ferry from the north of Scotland to the Orkney Islands.

The future seems bleak to belong to the funds, however, and both Capital Ventures and Abbey Life have launched post-Budget offerings hoping to attract those investors who want their soon-to-vanish 60 per cent tax relief.

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Rich get IHT boost

Rise in the tax-free threshold allows heirs to afford more grants, says Stuart Chapell

IN THE Budget, the Chancellor has further drawn the teeth of inheritance tax (IHT), allowing you to leave more to your heirs — especially if you are rich. The rise in the tax-free threshold from £50,000 to £100,000 helps everybody. But the decision to introduce a flat rate of 40 per cent, and abolish the 50 and 60 per cent rates imposed previously on a sliding scale, is a tremendous boon for the very wealthy. What these changes mean in practice is illustrated in the accompanying table comparing the impact of the change on Mr and Mrs A, with an estate of £250,000, and Mr and Mrs B with an estate of £1m. The reduction in the tax bill, on second death, of Mr and Mrs A is just £26,000 (under 10 per cent) while Mr and Mrs B benefit by a heart-stopping £148,000 (over 29 per cent).

It cannot be emphasised too strongly that the new IHT regime offers great opportunities for individuals to protect their estates — and, therefore, their heirs — from tax on death, and also to pass substantial amounts of wealth to younger generations during their lifetime without incurring any tax. It must not be assumed that IHT will remain at present levels: a future government might well increase them. So you should start planning now, beginning with a review of the existing wills of both husband and wife. You should also consider the use of trusts since, under the new regime, they now have significant IHT and capital gains tax advantages. For private individuals, there are many ways in which the IHT liability can be reduced or 'frozen'. Perhaps the most attractive part of the new regime is the ability to make potentially exempt transfers (PETs) where, providing the donor survives seven years, there is no liability for IHT. A gift made today will still potentially be chargeable after the next election but will prob-

ably have escaped IHT by the following one. However, unless PETs are made, the estate could be taxed in future at rates far higher than 40 per cent. The situation now is very much one of taking action and not just sitting back. A window of opportunity has been opened but it could be shut at any time. Only if you are an eternal optimist, or planning to die in the very near future, can you say with any certainty that you will benefit from the new reduced IHT rates — unless you take action to make the most of the opportunities now offered. An added bonus is that the IHT burden, particularly on businesses and farms, has been eased considerably over the past few years. The top rate on most of them is now down to 20 per cent and there is the option to pay it by instalments, if necessary. At the same time, the Chancellor has removed the ceiling of £100,000 on transfers to political parties. Such transfers, made on or within one year of death, are exempt without limit.

Stuart Chapell is financial planning manager at Advisory and Brokerage Services.

Eric Short examines the impact of the Chancellor's decision on covenants

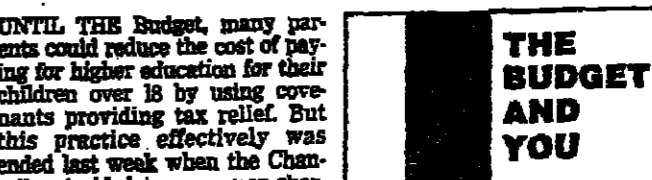
Out go the subsidies

THE CHANCELLOR'S decision to stop tax relief on non-charity covenants is a serious blow for many people facing the constantly rising cost of private school fees. Effectively Nigel Lawson has stopped taxpayers subsidising grandparents, and other relations or friends, who give financial help by covenants towards meeting such bills. Under the old system, grandparents paid the amount covenanting net of basic rate tax but the child received the full gross amount through the tax being reclaimed on its behalf. Under the new system, grandparents will have to pay the amount gross, without any tax deduction, although money received will no longer be included in the child's income. Surveys show that at least one in five children being educated in the private sector receives financial help from grandparents. Now, grandparents and similar donors will have to provide this help out of net income. They may as well forget about covenants and simply write the necessary cheque. One consolation, as the Chancellor pointed out, is that the tax rate cuts have increased that net



income. But can grandparents still receive some form of indirect help? Since covenants — and almost all public schools have charitable status — cannot be grandparents make covenants direct to the school? Unfortunately, no. Under general tax law, covenants to charities must benefit the charity as a whole, not one specific individual or group of individuals. Thus, while grandparents can covenant towards the cost of anything for the general benefit of the school — for example, a new science block or sports pavilion — they cannot covenant payments to meet the school fees of a particular child. A similar argument applies to educational trusts set up by school fee specialists, such as the Maidstone-based School Fees Insurance Agency, its Educational Trust, which has charitable status, was set up to help fund school fees and operates by parents, grandparents or any other family member making lump sum investments to buy deferred annuities. The tax benefits from this charitable status is used partly to improve the return available on these annuities and partly to provide regular donations to educational charities. However, the trust has no facility to accept covenanted payments. If it had, then the overall benefit would have to be enhanced, with larger donations to charities. Nevertheless, grandparents can buy deferred annuities through such a trust and get a slightly better return than from simply handing over a cheque, especially if they plan in advance of the child starting school. The school fee specialists are going back to the drawing board to see if they can come up with some alternative arrangements for grandparents.

Parents pay



UNTIL THE Budget, many parents could reduce the cost of paying for higher education for their children over 16 by using covenants providing tax relief. But this practice effectively was ended last week when the Chancellor decided to scrap non-charity covenants. To understand the impact of the Chancellor's action, you need to consider how the grant system operates. Each year, the government lays down the level of grants for students, depending on their location. The grants as from September 1 are: student in London living away from home, £2,485; elsewhere, £2,050. Student living at home, £1,550. It is far from clear how the best for these grants is worked out. Presumably, they are the amounts considered necessary for students to support themselves. However, they look very much like figures plucked out of the air. The amount of the grant actually paid is decided after taking into account the combined parental gross income. So, the child of a high-earning family receives a reduced grant, or even nothing. This deduction from the grant is known as the parental contribution — implying that parents have a legal obligation to contribute towards their child's support while at university or some other place of higher education. This is not so. Parents do not have to contribute one penny (although most do want to help). The gross parental income — known as the residual income — on which the government bases its grant deduction allows for mortgage and company pension contributions, but not national insurance. And no allowance is made for the tax paid — thus, the parental contribution can be regarded as double taxation since it has to be paid out of net income. Where two or more children are receiving higher education, the parental contribution is split pro rata between the grants for each child. Over a certain residual income, the parental contribution exceeds the grant and the child receives nothing from the government and must depend entirely on its own resources. In addition, the student can now take a job during holidays and earn up to the single person's allowance without being liable for tax since, previously, nothing from the government was regarded as being income.

Previously, the system of covenants enabled parents to offset the penal cost of providing financial support out of net income. They were able to pay the covenanted amount net of basic rate tax but the student child received the gross amount by reclaiming the tax. Now, the Chancellor has ended net payments on non-charity covenants. Parents have to provide the help without the benefit of tax relief — a rise of 25 per cent on the cost. This is being offset by scaling down — by 25 per cent — the method of assessing the parental deduction, so helping families with a residual income low enough to place the parental contribution below the grant. But where the parental contribution is higher on the scale than the grant, the student gets nothing from the government. Parents have to meet the full cost. Thus, a family with a residual income of only £25,000 will receive nothing, even on the top London scale, despite the increase in the parental contribution announced last week. The only compensation for parents is that the reduction in higher rates taxes means they have more income out of which to provide financial help for their children. James Davney, Mercury chairman, feels that if your Capital Gains Tax bill goes up by a third, from 30 per cent to 40 per cent, "it will underline the value of a portfolio of shares accumulating free of tax." He reckons that unit trusts are now more attractive than ever to the £100,000-plus investor as an alternative to a directly managed portfolio of shares. Given reduced mortgage tax rates, he thinks investors need not be afraid of going for high-yielding trusts, including gilt trusts. Mary Blair, of Fidelity, also welcomes the Budget measures, which are likely to have a good long-term effect on the stock market and therefore on all types of equity investment. She thinks that funds of funds will look attractive, since they offer a managed unit trust investment with CGT-free switching in the fund. The assets are held of an international fund or, even to that, an offshore umbrella fund. Fidelity, like Mercury, expects to see long-term shareholders moving into unit trusts, encouraged by the wiping out of their pre-1982 capital gains tax liability. The group is considering brushing up the terms of its share exchanges scheme to attract this type of investor. With the freeing of more income each month for savings, Mary Blair hopes to bring in regular investors from the higher salaried professionals. A small slip in the face for the regular savings plan is the loss of covenants, which many groups have promoted as a good way to build up savings for a child. A technicality of unit trust pricing, instrument duty, has created some controversy in the industry. The Budget eliminated this duty in a brief paragraph, in which the Chancellor plausibly hoped that unit trust groups would pass on the benefit of the change to unit holders. At 0.25 per cent, this concession is hardly likely to cause a rush into units. Some industry spokesmen see it as making very little difference at all. "It is completely misleading for the Chancellor to say that the managers should pass instrument duty on. It has never gone to the manager anyway," says Ken Emery, of State & Fraser. Instrument duty is a levy on the creation of units, when the

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Investment Objective: The UK Equity Income Trust aims for high and rising income combined with capital growth. The other trusts also for capital growth.
Units may be bought or sold back to the Managers any weekday day between 10.00am and 5.00pm by instruction in writing or by calling 01-252-5555. A commission note will be sent within 24 hours. A certificate will be dispatched 10 days after receipt of cleared funds and sale proceeds, valid for 30 days from receipt of cleared certificates. Prices and yields appear daily in the Financial Times. The Daily Telegraph. Units will be priced daily. Remittance is paid to qualified intermediaries. Fees are as in table below.
Charge: Prices and yields are determined by the Department of Trade and Industry (DTI) formula. An initial charge of 5.50% is included in the offer price, the annual charge is 1.25% + VAT. The Trust Deed permits a maximum capital charge of 2% of NAV subject to 3 month notice.
Minimum Investment: £1,000. The UK Equity Income Trust: UK Equity Income: £200, American Growth: £200, European Growth: £200, International Growth: £200.
The UK Equity Income Trust offers Accumulation and Distribution Units. For Accumulation Units the net income is accumulated and Distributed Units. If it is distributed, in both cases this takes place on 30th November and 31st May each year starting on 30th November 1988. The other trusts only offer Accumulation Units. In shares, and the accumulation dates are: American 27th February and 31st August (ending 29th February 1989); European 31st January and 31st July (ending 30th January 1989) and 31st December and 31st June (ending 30th December 1989). In all cases there is a 3 month notice period before distribution or accumulation and it is subject to notice.
United Kingdom: The Trust Deed contains provisions for the Managers to invest United Overseas subject to the limitations laid down by the DTI.
Investing General Accident Insurance and Trustees Co. Ltd., Bath House, 52-57 Moorgate, London EC2M 1EX.

Christine Stopp finds unit trust sellers optimistic

An attractive proposition

WAS LAST week's Budget favourable to unit trusts? Most agree it was, though it continues to be seen as a package to favour the rich, rather than the much-would smaller investor.

James Davney, Mercury chairman, feels that if your Capital Gains Tax bill goes up by a third, from 30 per cent to 40 per cent, "it will underline the value of a portfolio of shares accumulating free of tax." He reckons that unit trusts are now more attractive than ever to the £100,000-plus investor as an alternative to a directly managed portfolio of shares. Given reduced mortgage tax rates, he thinks investors need not be afraid of going for high-yielding trusts, including gilt trusts.

Mary Blair, of Fidelity, also welcomes the Budget measures, which are likely to have a good long-term effect on the stock market and therefore on all types of equity investment. She thinks that funds of funds will look attractive, since they offer a managed unit trust investment with CGT-free switching in the fund. The assets are held of an international fund or, even to that, an offshore umbrella fund.

Fidelity, like Mercury, expects to see long-term shareholders moving into unit trusts, encouraged by the wiping out of their pre-1982 capital gains tax liability. The group is considering brushing up the terms of its share exchanges scheme to attract this type of investor.

With the freeing of more income each month for savings, Mary Blair hopes to bring in regular investors from the higher salaried professionals. A small slip in the face for the regular savings plan is the loss of covenants, which many groups have promoted as a good way to build up savings for a child.

A technicality of unit trust pricing, instrument duty, has created some controversy in the industry. The Budget eliminated this duty in a brief paragraph, in which the Chancellor plausibly hoped that unit trust groups would pass on the benefit of the change to unit holders.

At 0.25 per cent, this concession is hardly likely to cause a rush into units. Some industry spokesmen see it as making very little difference at all. "It is completely misleading for the Chancellor to say that the managers should pass instrument duty on. It has never gone to the manager anyway," says Ken Emery, of State & Fraser.

Instrument duty is a levy on the creation of units, when the number of units created takes the trust above its previous largest size. However, it is built into the Department of Trade and Industry's formula for calculation of the offer price of units. It is, therefore, charged on all units sold at the full offer price, whether they are newly created or not. If the duty is due, it is paid via the trustee. If it is not due, the 0.25 per cent, which is an invisible part of the offer price, goes to the fund's benefit.

The loss of instrument duty will only make a difference to the full offer price. If the trust is on or near its bid price — as many are at present — the offer price is simply calculated up from the bid price level, according to the manager's normal spread. In this case, instrument duty will make no difference at all.

Emery is indignant that some groups have made a show of narrowing their spreads because that duty has been abolished. He recommends that unit holders should look at spreads more generally. Some of those groups who have made much of reducing their spread, he argues, had the widest spreads to begin with.

As a brief survey of unit trust spreads, we looked at some major groups' trusts in their UK General and UK Growth sectors at March 1. Where the group had more than one trust in the sector, we took an average. Of seven groups examined, Gartmore came out highest in each sector with spreads of just over 7 per cent. M&C and Mercury was lowest with spreads of less than 0.5 per cent. The discrepancy is partly accounted for by market uncertainty. When the managers are not sure which way the market will move, the choice of spread is more of a gamble. Spreads shift from day to day, and Gartmore has now moved its down to a maximum 6.75 per cent.

Through a small slip, the scrapping of instrument duty is welcomed. Fidelity thinks it will help in the setting up of cash funds, since there will be no deduction from the cash going to putting unit trusts on a par with building societies.

For those who want to keep an eye on spreads — difficult, currently, with the information available — the new regulations resulting from the Financial Services Act will help. The cancellation price (that is, the DTI bid price) must be shown on contract notes, so the unit holder will be able to get a rough idea of whether the trust is on a bid or an offer basis.

The new way into Morgan Grenfell asset management skills.

Member of the Unit Trust Association

Cheques losing out to plastic

Whether customers like it or not, it looks as though debit cards are the face of the future in British shops, says Frank Gray

IS SHOPPING by cheque doomed? The announcement last week that Lloyds Bank is to introduce a Visa debit card for shoppers later this year provides confirmation that Barclays Connect debit card - launched in a blaze of unfavourable publicity last June - has been an unexpected success. In spite of a row with retailers over the proposed initial charges, Barclays has signed up 1m customers for the Connect card and is only slightly behind its original target of issuing 1.5m cards in the first year. Most major high street shops now handle the Connect card. "There are just five main retail chains and a dozen smaller ones that do not yet accept the card," says a Barclays official. Basically, Connect supplements the cheque-writing function at retail counters. By using the card, the payment is debited directly from your bank account. The big advantage is that the £50 limit on cheque guarantees cards does not apply; Connect users are restricted only by any limit imposed by the retailer and by the amount they have in their bank account. Apart from enabling you to leave your cheque book at home and pay retail bills of any amount you can afford, the Connect card also doubles as a normal cheque guarantee card and can be used in cash vending machines. The planned Lloyds card will go a few steps further. It will provide an automatic personal overdraft facility, normally equal to one month's salary. It will also replace the present Cashpoint and cheque guarantee cards, so you will be able to draw money from the bank's existing cash vending machines as well as the £300 Visa cash machines worldwide. To emphasise the difference, Lloyds is calling it a "payment" rather than a "debit" card. But it is all part of the general move by banks to phase out cheques in favour of a single, multi-purpose plastic card - and it is only the start. Barclays' competitors see Connect as an interim step, a hybrid creation that will have to be replaced by a more comprehensive card in the next few years. Midland Bank, for example, which last year withdrew its Vector debit card, as a result of the row over the launch of Connect, is to carry out a trial programme on introducing a "smart" card at Loughborough University, Leicester. Midland sponsors Loughborough's banking and finance degree course. This trial programme, which has been delayed until April because of the bank's other, more pressing, problems, will determine broader plans for the direct debit card system. The "smart" card is designed by GEC. It contains a micro-pro-



Model Marie Heavin hands the one millionth Barclays Connect card to Claire Williams (left) at Selfridges.

cessor and memory chip and can be run through electronic terminals. Unlike Connect, no paper-based debit card creates work for retailers. "So," according to a bank spokesman, "we are looking at electronic-based, rather than paper-based, systems. We feel that a debit card should replace cheques, so that the cost to the retailer should be similar to the cost involved in collecting cheques." It seems, whether customers like it or not, that the days of shopping by cheque are numbered.

Loan for life plan extended

A LOAN for life is the idea behind a new financial services group, Barry Birch & Noble, that enables you to borrow money at mortgage rates but with no date specified for repayment of the loan.

Last year, the group introduced the 50-Plus Plan, aimed at those who wanted to maintain an interest-only mortgage after retirement that does not need to be repaid until death or sale of the property. It is now extending the same idea to a wider age group. The scheme is also based on an interest-only mortgage, with no fixed term for repayment of the capital. But the funds borrowed at a competitive mortgage rate (now 10.25 per cent) can be used legally for a variety of purposes, ranging from payment of school fees or a holiday to investment or buying a second home. The lack of capital repayments reduces substantially the cost of the loan. And if the debt is retained until death, you can also reduce your inheritance tax liability. In effect, you can unlock the value of your property without becoming involved in costly home income plans.

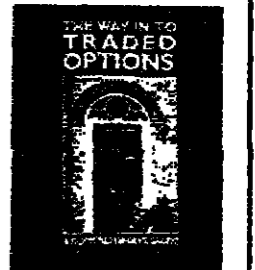
John Edwards

BRITAIN'S BEST GROWTH COMPANIES

Only 24 UK companies have shown consistent annual growth in the last ten years. Who are they? John Davis reviews in-depth, exclusively in the April issue of Money Observer, these corporate champions whose shares have been spectacular money-spinners in the last decade. Mandatory reading for everyone interested in making money in the stockmarket.



The April issue of Money Observer is now available at all leading newsagents, price £1.95, and includes, totally FREE, "Traded Options", our 56 page latest and most definitive guide to this growing market.



Money Observer, edited by John Davis (Investment Editor of The Observer), has one of the most authoritative and highly respected teams, and covers comprehensively, the widest range of investments including the stock market, Britain's top companies, unit trusts, investment trusts, National Savings, building societies, banking and insurance. Money Observer is written in an easy to understand and informed manner and provides the investor and would-be investor with the background in-depth research and information necessary to make the most appropriate investment decisions. No wonder, Money Observer sells, at full rate, more copies than any other investment magazine and has had more subscribers than any other financial publication. Why not join this investment elite? Just £19.50 (£29.50 airfreight overseas) ensures you receive Money Observer every month in your home or office. The price includes post and packaging and represents a discount of £3.90 off the retail price. We will also send you FREE, "Ernie's Missing Millions", our latest listing of over 80,000 unclaimed premium bond prizes (usual price £2.50) and FREE "Shareholder perks", our list of the perks available to shareholders of the UK's top 100 companies (usual price £1.60). Simply cut off the coupon below and mail it with your cheque to: Money Observer, FREEPOST, Mitcham, Surrey CR4 8AR.

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THE MONTHLY MAGAZINE FOR DISCERNING INVESTORS

Societies seek foreign savings

SEVERAL times in the past two years, as much as 10 per cent of the total of retail savings flowing into the Halifax Savings Society has been deposited by non-UK investors. Most of the money has come from British expatriates and includes one lump sum deposit of £200,000. The Halifax is Britain's biggest building society and has been offering gross interest accounts to expatriates from its UK mainland branches since 1986. Several competitors have done likewise. Now, there is a new dimension to the building societies' battle for expatriate savings - one that will be waged from the Channel Islands and elsewhere outside the UK. So far, only the Halifax and its arch-rival, the Abbey National, have got their plans in place but others are set to follow. The Halifax opened its Jersey office on March 1 following the acquisition of part of the deposit business on the island of the Australian Westpac Bank. The Halifax is now trying to persuade its 45,000 expatriate savers to transfer their UK gross interest accounts to centralise all its expatriate business in Jersey. Clearly, though, there is more than one way for building societies to address the expatriate market. Brian Whitfield, general manager of the Nationwide Anglia, says he understands the Abbey's overseas lending strategy for both expatriates and nationals of other countries. However, he says he is "struggling with the logic" of setting up offices in Jersey to attract gross interest deposits from British expatriates when that facility is available already through mainland branches. It is not so long ago that building societies were regarded as the sleeping giants of the financial world. But, in recent years, a steady hemorrhaging of funds, resulting partly from the British Government's privatisation programme and partly from tough marketing by unit trust groups, has rocked their complacency. Societies have been squeezed just as hard on the other side of the balance sheet where aggressive mortgage lending by British and foreign banks has undermined their raison d'être. It is inevitable that the expatriate market should be one of the weapons used by societies in their diversification plans.



The society claims there might also be an inheritance tax advantage for expatriates whose accounts are based in Jersey, rather than at one of its branches on the mainland. This is questionable, given that liability to inheritance tax depends on domicile rather than residence. The Abbey National opened its doors in Jersey earlier this year after being granted authorisation by the island authorities to take over a local licensed deposit-taker on condition it continues to lend mortgage money to Jersey residents. Abbey's Jersey operation, like that of the Halifax, will provide the society with an additional form of borrowing to add to its UK retail and wholesale fundraising. Abbey already has attracted money from expatriates in 66 countries, mainly in the Middle and Far East. But its other overseas plans are causing its competitors to sit up and take just as much notice. Abbey has opened an office in Gibraltar which has a 1988 target of building a £20m mortgage book among the 300,000-plus British expatriates on Spain's Costa del Sol. Quite separately, the society has a two-thirds stake in a Madrid-based joint venture along with a Spanish financial services group and a Swiss insurance company. This, too, is a loan-based operation which is budgeted to lend £25m in the Spanish domestic mortgage market during 1988. Abbey also is looking at the possibility of setting up mortgage lending operations in France and Portugal. "The strategy is clear enough. If foreign competition is muscling in on the overcrowded UK market, it makes sense to retaliate by taking the battle to their territory. There is also the much-wanted 1992 dimension, by which time European barriers to the free movement of labour, goods and services are scheduled to come tumbling down. The financial institutions that position themselves ahead of a last-minute scramble are likely to reap the benefits. Only this week, the Halifax's chief executive-designate, Jim Birrell, reaffirmed that he was conscious of the opportunities in Europe. So, we can expect to see other societies attempting to catch up on the lead taken by the two mega-societies. The Bristol and West has already dipped a marketing toe in expatriate waters through an advertising campaign on Gibraltar TV aimed at British residents in southern Spain. Later this year, assuming it gets approval from its members, Bristol and West has plans to open in Guernsey by taking over an estate agency. Meanwhile, Leeds Permanent is opening an office in the Isle of Man. Scott Durward, chief general manager of the Alliance & Leicester, says guardedly that he has no plans for expansion overseas which he is willing to discuss at this stage but that "it is an area we are considering. The French is more open about its overseas ambitions and has looked at the possibility of setting up in Jersey and Gibraltar. Industry sources say France is likely to be the location for the Woolwich's initial European thrust. Clearly, though, there is more than one way for building societies to address the expatriate market. Brian Whitfield, general manager of the Nationwide Anglia, says he understands the Abbey's overseas lending strategy for both expatriates and nationals of other countries. However, he says he is "struggling with the logic" of setting up offices in Jersey to attract gross interest deposits from British expatriates when that facility is available already through mainland branches. It is not so long ago that building societies were regarded as the sleeping giants of the financial world. But, in recent years, a steady hemorrhaging of funds, resulting partly from the British Government's privatisation programme and partly from tough marketing by unit trust groups, has rocked their complacency. Societies have been squeezed just as hard on the other side of the balance sheet where aggressive mortgage lending by British and foreign banks has undermined their raison d'être. It is inevitable that the expatriate market should be one of the weapons used by societies in their diversification plans.

Peter Gartland
Peter Gartland is editor of The International, the FT magazine for expatriates.

TR WORLDWIDE SPECIAL SITUATIONS FUND LAUNCH OFFER ENDS 31 MARCH



GROWTH IS STILL THERE IF YOU KNOW WHERE TO LOOK

It is not the easiest of times to invest your money if you're looking for-out-of-the-ordinary returns. But last October's stock market storm has, in fact, created many opportunities to identify undervalued shares whose prices have the capacity to outstrip stock market trends. What is needed is the ability to see the wood for the trees, and that's what our new Unit Trust is all about. Now is the time Our strategy is simple: beat a path through current conditions, ignoring general stock market trends and overstepping crippled giants, actively seeking out companies whose share prices can move independently of market trends. Companies whose very natures are resistant to ill winds. And they do exist. Everywhere in the world. They are called special situations and we intend to buy them when their share prices are below their intrinsic values and sell as they reach their true worth. This is the place We will do this through the new TR Worldwide Special Situations Fund. A fund launched to achieve maximum possible capital growth from a vigorously managed portfolio of special situation shares selected from the world's stock markets. We will concentrate on under-researched smaller companies whose real worth has not been generally recognised. Or companies where there is an unmet, unappreciated entrepreneurial management. Or companies, both large and small, in takeover situations. Or even interesting new issues. And the team Of course, the success of any fund is dependent upon the skills of its fund manager. Investors in our new Fund can take satisfaction in knowing that their money is being invested by Sir William Vincent, Touche Remnant's most senior fund manager. He will be supported by a select team of eight investment managers who, as specialists in the stock markets of the UK, the US, Japan, the Pacific Basin and Europe or the technology, natural resources, and property sectors, are able to bring their experience and good judgement to the Fund. This team will adopt the aggressive Touche Remnant technique

of 'stock-picking'. That is, constantly monitoring situations in order to spot new opportunities as fast as they come into view. With a track record As our only business investment management, we are able to concentrate exclusively on producing superior performance for our clients. Consider these examples, bearing in mind that past performance is no guarantee of future success. TR American Growth Fund up 45.4% since launch in October 1983 (sector average 9.0% - 2nd out of 58 funds!) TR Japan Growth Fund up 158.8% since launch in October 1985 (sector average 110.7% - 5th out of 51 funds!) TR Special Opportunities Fund up 285.6% since launch in January 1983 (sector average 64.0% - 6th out of 52 funds!)

Our consistently high achievement is highlighted by recent *Financial Times* statistics on all growth funds of the 40 largest unit trust management groups: "We were rated first over the past one, two, three, four and five years."

For the medium to long-term However, the TR Worldwide Special Situations Fund will not suit every investor. The Fund's potential for achieving higher returns means it carries higher risks. We consider it only suitable for experienced investors, with sufficient speculative capital beyond that held in Bank or Building Society accounts and in lower-risk investments, who can afford to take a medium to long-term view. (We would suggest three to five years.) Remember, there can be no guarantee of a good return on an investment of this nature: the price of units, and the income from them, can go down as well as up. This may result in an investor realising an amount which is less than that originally invested.

1% launch discount Units may be purchased at the fixed offer price of 25p from the 12th to the 31st of March 1988. If you invest by the 31st you will enjoy a special 1% launch discount, provided in the form of additional units. To invest simply complete the coupon below making your cheque payable to TRUITM. Alternatively, during the launch period,

Send to: Touche Remnant Unit Trust Management Ltd, Freeport, London EC4A 4AB. To invest, please complete this application form and return it together with your cheque made payable to TRUITM. I/we wish to invest: £ _____ Minimum initial investment £500. Subsequent minimum £50. In the TR Worldwide Special Situations Fund at the initial offer price of 25p per unit and, subsequently, the ruling price on the day of receipt of application. I/we enclose my/our remittance. Please note that the 1% discount is provided in the form of an additional allocation of units. IN BLOCK CAPITALS IN GROSS CAPITALS SURNAME: _____ FULL FORENAMES: _____ ADDRESS: _____ POSTCODE: _____ DATE: _____ In the case of joint applications, all applicants must sign and attach their signed and addressed. TR WORLDWIDE SPECIAL SITUATIONS FUND

TOUCHE REMNANT

Please tick if you wish your investment to be in the form of:

Income Units

Accumulation Units

If the above section is not completed, Accumulation Units will be allocated.

Please tick if you wish to receive information on other Touche Remnant Unit Trusts

If you have a professional adviser, please complete the following:

Name of Adviser: _____ Address of Adviser: _____ Postcode: _____

This offer is made on the understanding that you will not be held responsible for any loss or damage to your investment. PT28

**FLOW THROUGH WORKS
WHY CHANGE IT OR ELIMINATE IT?**

TUNDRA GOLD MINES LTD.

FLOW THROUGH FINANCING HAS MADE THIS PROJECT POSSIBLE

**AN OPEN LETTER TO SHAREHOLDERS
MARCH 21, 1988
FOR INFORMATIONAL PURPOSES ONLY**

**REVIEW OF THE LAMAQUE PROJECT
VAL D'OR, QUEBEC, CANADA**

At the present time 4 drills are operating at the Lamaque Mine to put vertical ore reserves into place between the 1800 and 3400 foot levels. One drill is positioned on the 1800 foot level and 3 drills are on the 3200 foot level. On the 3200 foot level one machine is drilling in the No. 5 diorite plug and two machines are drilling (from cross-cuts), the area between the 3200 and 3400 foot levels to trace the No. 35 vein's downward continuation. On going drilling designed to put vertical ore reserves in place will continue for the next 100 days.

**NEW DRILL RESULTS NOT PREVIOUSLY ANNOUNCED
1800' Level**

Hole No.	From	To	Width (feet)	Average Grade (oz/ton)
T-13935	441	448	5.0'	0.524 (uncut)
or	441	446	5.0'	0.524 (cut)
and	555	558	3.0'	0.191 (uncut)
or	555	558	3.0'	0.191 (cut)
T-13944	38.5	40.5	2.0'	0.16 (uncut)
or	38.5	40.5	2.0'	0.16 (cut)
and	76.5	79.0	2.5'	0.991 (uncut)
or	76.5	79.0	2.5'	0.991 (cut)
T-13931	348	349.5	1.5'	0.323 (uncut)
or	348	349.5	1.5'	0.323 (cut)
and	476	477.5	1.5'	0.359 (uncut)
or	476	477.5	1.5'	0.359 (cut)

Hole T-13931 was designed to intersect the zone 200 feet east of Hole T-13833 an exceptional hole drilled from the 1800' level which encountered a zone which ran 62.9 feet of .293 oz/ton Au, cut to 1 oz.

3200' Level

Hole No.	From	To	Width (feet)	Average Grade (oz/ton)
T-13939	291	293.5	2.5'	.146 (uncut)
or	291	293.5	2.5'	.146 (cut)
and	317	320.5	3.5'	.106 (uncut)
or	317	320.5	3.5'	.106 (cut)
and	341.5	344.5	3.0'	.213 (uncut)
or	341.5	344.5	3.0'	.213 (cut)
T-13940	11.5	14	2.5'	1.45 (uncut)
or	11.5	14	2.5'	1.00 (cut)
T-13941	109	115	6.0'	.278 (uncut)
or	109	115	6.0'	.278 (cut)
T-13942	15	17.5	2.5'	0.08 (uncut)
or	15	17.5	2.5'	0.08 (cut)
and	120.5	122.5	2.0'	1.50 (uncut)
or	120.5	122.5	2.0'	1.00 (cut)
and	136.5	139.5	3.0'	2.174 (uncut)
or	136.5	139.5	3.0'	1.00 (cut)
T-13943	28	31	3.0'	0.16 (uncut)
or	28	31	3.0'	0.16 (cut)

New ore reserves announced March 8, 1988 stated that the drill indicated reserves in the "South Vein" zone located in the No. 5 Plug below the 1800 foot level are 150,000 tons with an average grade of .30 oz/ton gold (cut to 1 oz) in an area measuring 250 feet by 600 feet.

The zone is still open at depth, in both the east and west directions.

It is important to remember that drill indicated reserves in the #4 Plug was 431,000 tons of .16 Au/ton and also after 80,000 feet of drilling in 1986 and 86 on the Golden Bond property (a company controlled by Tundra) indicated reserves are 500,000 tons of .22 Au/ton.

Current underground drift results:

Level	Distance Sampled	Average Grade	Width
1800'	79.5'	.30 ozs au/ton (uncut)	9'
or	79.5'	.24 ozs au/ton (cut)	9'
Two separate zones:			
3200'	485.5'	.40 ozs au/ton (uncut)	7.1'
or	485.5'	.22 ozs au/ton (cut)	7.1'
and	217.5'	.12 ozs au/ton (cut)	6.2'
Two separate zones:			
3400'	225'	.47 ozs au/ton (uncut)	19.3'
or	225'	.41 ozs au/ton (cut)	19.3'
and	208'	.42 ozs au/ton (uncut)	6.8'
or	208'	.31 ozs au/ton (cut)	6.8'

In October 1987, Tundra Gold Mines initiated a computer study to map and calculate preliminary ore reserves between the 1800 and 3800 foot levels. This study combines all information on both the new and old drill holes along with the new drift averages and geological data. The results of this program are expected to be completed within the next 30 days.

It should be noted that the Lamaque Mine has been undergoing a change over from 25 cycle to 60 cycle power. This was initiated in November, 1987 and should be completed by early fall of 1988.

Seven million dollars in flow through financing have been put to work at Lamaque, a Teck Corporation joint venture from September 1986 to the end of February 1988.

The current exploration program at the Lamaque Mine is designed to build an ore reserve base to re-open the Mighty Lamaque.

OTHER PROJECTS

**KABENUNG WEST
(Mishibishu, Northern Ontario, Canada)**

This twenty (20) claim group is 40 miles south of the now famous Hemlo Gold Camp. Two gold mines are currently being prepared for production in this area. This claim group is west of 73 additional claims owned by Tundra.

The first four holes of the 1988 exploration program have been drilled to test strong coincident VLF geophysical anomalies and soil geochem anomalies which contained up to 680 ppb gold.

Ten airborne anomalies occur on the property. Of these three have been followed up on the ground and have coincident gold geochemical responses. These will be drilled shortly.

**PELHAM JOINT VENTURE
(Noranda - Tundra, Northwestern Ontario, Canada)**

Drilling started on this 31 claim group located south of Dryden, on February 10, 1988.

The Phase I Program consisted of eight holes, seven of which tested the #3 (East) Zone Area.

Some significant intercepts are as follows:

	From	Meters	To	Meter	Width	Feet	Grade Oz/ton
PH 88-1	16.0		19.0	3		9.84	.16
PH 88-5	86.6		87.4	0.8		2.62	.12
	98.6		99.4	0.8		2.62	.19
NOTE:	44.0		104.3	60.3		199.4	.045
PH 88-7	11.0		13.0	2		6.56	.12
PH 88-8	9.0		11.0	2		6.56	.06
	13.0		15.0	2		6.56	.05

The proposed Phase II Program will consist of approximately 2,300 feet of drilling in 5 holes as infill drilling to better understand the anomalous gold values obtained in the first program. This program is scheduled to commence shortly. Tundra can earn a 50% interest of Noranda's 100% interest in the property by spending \$1,000,000 by March 14, 1990.

**GOLDSTACK JOINT VENTURE
(Noranda - Tundra, Val d'Or, Quebec, Canada)**

A 3,000' to 5,000' Phase II Program commenced on this 45 claim group property February 3, 1988.

The 1st phase of the Program is complete and drilling will resume following completion of geophysical surveys.

This News Release has been prepared by William J. Sullivan, Assistant to the President, on behalf of the Board of Directors of TUNDRA GOLD MINES LIMITED, which is solely responsible for its contents.

The Vancouver Stock Exchange has neither approved nor disapproved the information contained herein.

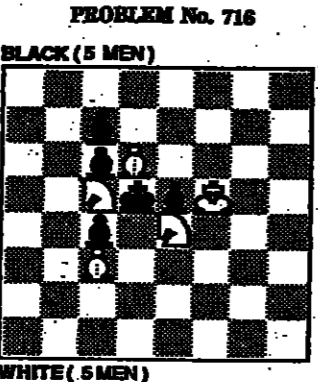
William J. Sullivan,
Assistant to the President
FOR INFORMATIONAL PURPOSES ONLY

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CHESSES

NIGEL SHORT, the 22-year-old British champion, achieved the finest success of his career last week when he won the Euwe Memorial tournament in Amsterdam. The double-round event was the strongest since the institution of FIDE world rankings, category IV with an average rating of 2,657.

For the first time, Short finished ahead of Anatoly Karpov, the world No. 2. World No. 3 Jan Timman, who had just won impressively at Linares, was relegated to a poor last. Scores were: Short (England) 4½, Karpov (USSR) and Ljubojevic (Yugoslavia) 3½, Timman (Netherlands) 1. Such a result looked most unlikely when Short lost to Karpov in the second round and dropped to bottom place. But then he outplayed Timman, won a dramatic contest with Ljubojevic (featured below) and completed a double against the Dutchman.



WHITE (5 MEN)
Black mates in three moves, against any defence (by V. Zenger). This puzzle looks simple, but the obvious 1 P-Q7 or 1 FxP? concede a stalemate draw.

Acts of commission

Please can you tell me how estate agents' commission and solicitors' fees are determined on the sale of a property? I have heard figures of 1 per cent and 2.5 per cent of sale price for agents, and what appeared to be a flat rate of 2275 quoted by a firm of 'city solicitors'.

All in the family

I own an unregistered house, bought in my name only and valued at £120,000. My wife and I also own investments worth £120,000. We are both 55 years of age.

Investing trust funds

I am a trustee, along with my sister, of my father's will. The family business has recently been sold and we have been given a sum of cash (£25,000) and an equivalent block of shares in a public company to hold during my mother's lifetime.

Paying for children

A divorcee with two children, who married a second husband, but is now separated, is trying to claim extra maintenance for the children from their father.



Cottage industry

I have inherited a cottage in a Scottish village which is fully furnished. Because of my job, I am able to enjoy it only occasionally during the year.

Improper behaviour

Is it (a) customary and (b) legally permissible for a solicitor, acting as executive trustee of a trust, to retain the interest on the money while it is held before distribution to the beneficiaries?

BRIDGE

IN MY hands today, the declarer threw away major suit contracts by imperfect technique. Look first at this deal from rubber bridge:

Hand diagram showing cards for North, South, West, and East in a bridge deal.

With both sides vulnerable, South opened with one heart, North said two hearts - he has no other bid - and South carried on to four. West led the diamond king.

HENDERSON HIGH INCOME TRUST advertisement with large text 'HIGH INCOME WHEN THE MARKET IS UP'.

Table comparing Henderson High Income Trust performance with Building Societies Extra Interest Accounts from 1966 to 1987.

IDEAL FOR THE BULL MARKET. Henderson High Income Trust was created to provide investors with a regular and rising income - year after year.

HENDERSON HIGH INCOME TRUST advertisement with large text 'HIGH INCOME WHEN THE MARKET IS DOWN'.

Table comparing Henderson High Income Trust performance with Building Societies Extra Interest Accounts from 1966 to 1987.

IDEAL FOR THE BEAR MARKET. Henderson High Income Trust was created to provide investors with a regular and rising income - year after year.

Could You Turn £1000 into £130,000? You would have if you had invested in Amstrad when the company went public in April 1980 and then sold the shares at last year's 225p high.

RESIDENTIAL PROPERTY DEVELOPMENTS PLC advertisement with contact information.

HENDERSON THE INVESTMENT MANAGERS advertisement with contact details and a coupon.

HENDERSON THE INVESTMENT MANAGERS advertisement with contact details and a coupon.

TRAVEL MOTORING

The grandest canyon

STRIDENT CRIES of "chiles rellenos" jarred me awake. The train had arrived at Ciudad Cuauhtemoc...

ping a beat. Although he claimed that Chihuahua does not often have power cuts, he had candles lit within seconds...



The Chihuahua-El Pacifico railroad which twists and turns its way through Mexico's Copper Canyon

I was reaching the end of a spectacular journey aboard the Chihuahua-El Pacifico railroad, which offers an opportunity to see one of the world's great natural wonders in Mexico's vast northern state of Chihuahua...

Two trains leave for Los Mochis daily. One is a first-class, passenger-only train; the other a second-class passenger and cargo train...

The trip is an adventure and not designed for those who like all their travel arrangements made for them...

At the more expensive Hotel Victoria, my enquiry as to the availability of water was greeted with an incredulous laugh...

rather ugly, wooden church. The front pews were occupied by elegantly attired guests from Chihuahua...

and stopped at tiny villages bedecked with tropical flowers. Los Mochis is an agricultural centre of no touristic interest...

Here I could sit undisturbed on a rock and look down on gliding buzzards and green-backed swallows...

And when it rained one afternoon, we sat talking in the cosy lounge built right on the canyon's edge...

As we reached the highest elevation of the train journey, 8,051 feet, we joined the Mina Elata river and followed its chestnut-coloured water for miles...

HOTELS - In Chihuahua: Hotel Victoria, corner of Juarez and Colon avenues, tel: 259925. Single room about \$5...



The new Volkswagen Passat saloon. This is a GT version, with alloy wheels, low profile tyres and an aerodynamic spoiler on the boot lid.

The heavy mob arrive

IN BRITAIN, Peugeot and Volkswagen share a problem. Everyone knows about their fairly small cars (the 205 and 309, Polo and Golf respectively) but few buyers link their names with larger ones...

Thinking bigger: Stuart Marshall looks at higher powered offerings from companies which are more often associated with the production of small cars...

but they are available on all Passats at extra cost. Last week I tried the GL and GT16V in the South of France and it poured with rain once again...

Holidays & Travel

CARIBBEAN Late Availability Superb choice of top quality holidays available now throughout the Caribbean. RING 0244 41131 OR 01-631 4797

Sardinia is a Magic Resort! FREE colour brochure 01-749 7440. The Magic of Italy. HOTEL HERTENSTEIN, WEGGIS.

Contracts & Tenders

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Rentals

CURZON COURT "HOTEL" APARTMENTS 56 CURZON STREET AND 39 HILL STREET MAYFAIR, LONDON W.1. PHONE: 01-499-4121. SERVICE AND AMENITIES. ACCOMMODATION AND TARIFF.

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Motor Cars

CARLOW CONTRACTS Contract hire & leasing. Any make, anywhere. Competitive rates. 0292 0327.

Clubs

North American Commercial Property The Financial Times proposes to publish a Survey on the above on April 15th 1988.

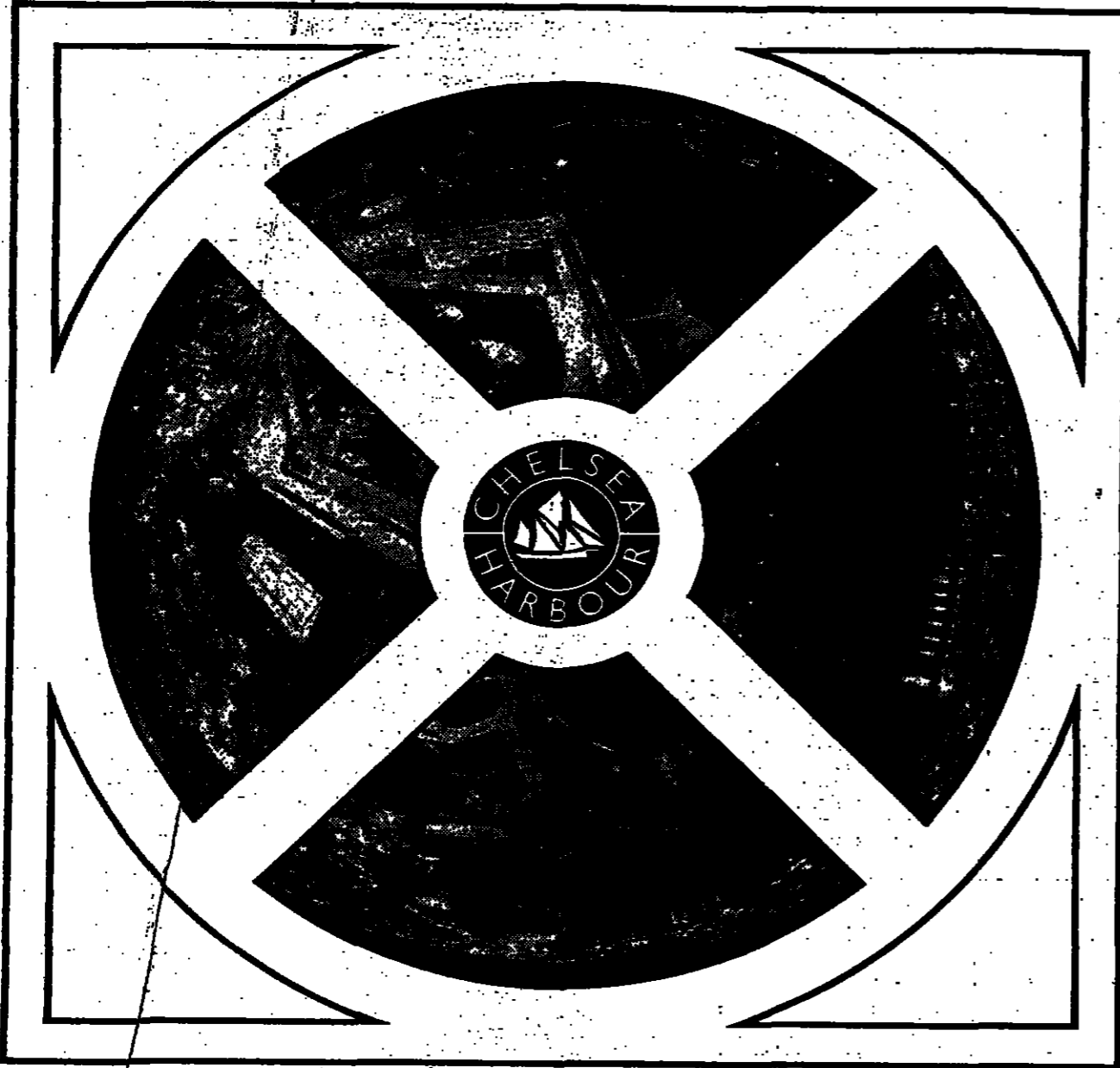
London Property

CLUTTONS EVELYN GARDENS, SW7 Spectacular 1st floor 3 bedroom flat boasting a magnificent 40' x 40' L shaped Reception Room. BARKHAM, CITY EC2 Selection of fully furnished flats for sale.

London Property

CHELSEA LIFE
from a different point of view

Chelsea Harbour, London SW10 0QL
Open 10am - 6pm 7 days a week. Ring 01-351 2300 for a brochure.



Chelsea has always exercised an irresistible allure, but even the most illustrious of its earlier inhabitants might have been surprised by the scale and luxury of Chelsea Harbour. They would have been astounded that Chelsea Harbour occupies 18 landscaped acres of townhouses and flats, shops and offices, restaurants and studios, fully integrated around a 75-berth yacht harbour. But they would have recognised the sense of community, the seclusion and security, the majesty of the river. All in all, Chelsea Harbour might have given them a different view of life in London. Couldn't it do the same for you?

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A joint development by P&O and Globe.

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The accommodation has a very large dining/drawing room, 3 bedrooms, 2 bathrooms (one en suite), kitchen/breakfast room, cloak-room, and an additional large gallery sitting room leading to an unusually large roof terrace.

Leasehold - 71 Years. Price - Offers in the region of £550,000.

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2 Bedrooms, Reception Room, Kitchen, Bathroom, W.C., Independent Gas Central Heating, En-suite, L.R. Canteen.
LEASE 47 YEARS £159,000
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Garden flat £375,000
2 Receptions/Kitchen/3 Bedrooms/2 Bathrooms/Large garden/parking

Entrance floor flat £265,000
Reception/Conservatory/Terrace/Kitchen/2 Bedrooms/2 Bathrooms/Cloakroom

1st floor flat £225,000
Reception/Kitchen/2 Bedrooms/2 Bathrooms/Balcony

2nd floor flat £199,500
Reception/Kitchen/2 Bedrooms/2 Bathrooms/Balcony

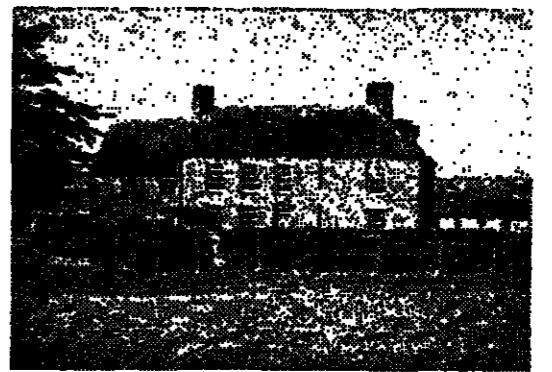
Viewing 2-4 pm
Sunday 27 March
Sunday 3 April
or by appointment



Telephone
01-482 2277
Fax: 01-267 0185

Country Property

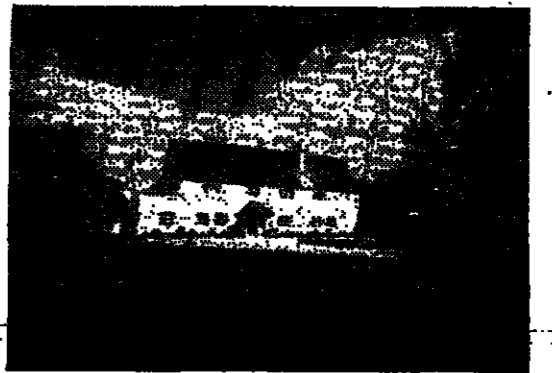
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Berkshire

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Apply: Hungerford (0488) 82726 000-203700



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Staff accommodation. Paddocks. Extensive stables.
12,000 sq. ft. partial framed former riding school.
About 14 1/2 acres

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Windsor 4 miles. Central London 32 miles.
Heathrow 20 minutes.
An elegant country house set in its own mature grounds close to Ascot Racecourse
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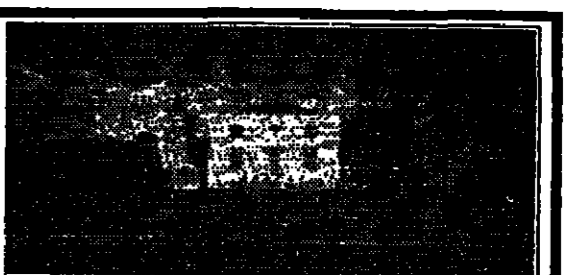
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John Brennan reports on the Government's Housing White Paper and the Chancellor's changes

Reforms may let the rental sector rise again

HALF OF THE 725,000 homes in inner London are rented, and despite the progressive shift - recently from seven per cent a year - from rented to owner-occupied homes, just under 260,000 of those houses and flats are still owned by private landlords.

At least it would help fund housing development and refurbishment and help to reduce the number of vacant, derelict properties. Overall, it looks unlikely that the wind of change now blowing through the rental market will have a great deal of impact on the supply of company rented properties.

There is still plenty of choice in the rental market, although the indications are that tenants are becoming more selective in the US-dominated rentals market. In a tenants' market, flats that are too expensive, or too poorly finished, would not let at prices to achieve Kay's rough guide of 6.5 to 7 per cent return on cost before financing charges.

not looked quite as neat since the equity market bubble burst last October. For want of any dramatic increase in the number of tenants exercising their options to quit, it has generally been assumed that the rental market has now ridden out the effects of last October's storm in the financial community, and the subsequent slide in the world value of the US dollar.

There is still plenty of choice in the rental market, although the indications are that tenants are becoming more selective in the US-dominated rentals market. In a tenants' market, flats that are too expensive, or too poorly finished, would not let at prices to achieve Kay's rough guide of 6.5 to 7 per cent return on cost before financing charges.

That is partly because the US finance houses were among the earliest and the largest of foreign groups in the City. It is also because buying is a less attractive option thanks to the rise in the pound's value against the dollar and the change in US tax rules ending the right to offset accelerated depreciation charges as well as interest costs against earnings.

US executives able to afford prime London rentals. The blunt figures of job losses mask the fact that an increasing number of these executives have been given the option of heading home, or of converting to UK contracts and losing their US tax equalisation agreements, their foreign accommodation allowances, and their US-level pay rates.

Although rental agents chafe at the view that the financial crash has had no significant adverse effect on demand, that could well be explained by the phased timing of many of these staff conversion programmes.

In the meantime, although prospective tenants do have more choice than for some years, and existing tenants are reported to have become far more willing to bargain about asking rents when it is time to renew their agreements, there is still plenty of activity in the market.



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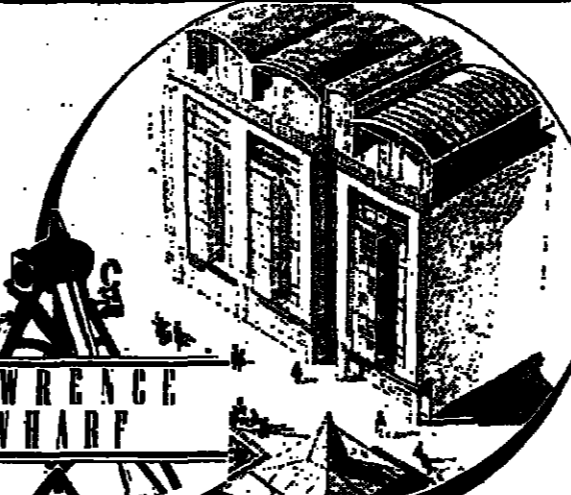
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Southwick Park Road, S.E.16. **£135,000**
Exceptional three bedroom flat-fronted period house in established area. South facing garden, delightful country kitchen/dining room. Double reception. Ideal for family, G.L.C.H. 79,250 sq ft.

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A country cottage and garden tucked away in an outstanding conservation area by a canal only two miles from the City. The essence is a grand georgian house arranged as 3 1/2 bedrooms, wonderful reception into pitch of roof with fireplace, kitchen, bathroom, utility room, swimming pool, parking space.

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Weekend FT - Property Pages

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DIVERSIONS

Peter Gillman talks to two men who are about to embark on an epic journey

Through the Northwest Passage

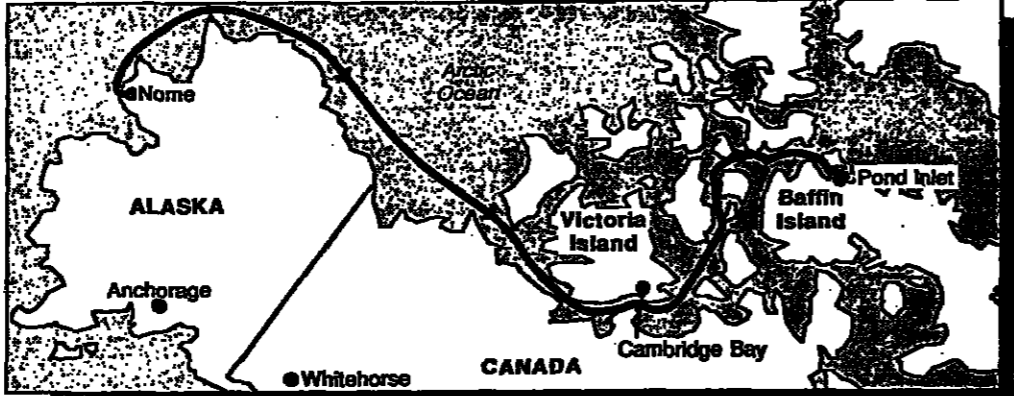
NEXT THURSDAY a dauntingly diminutive yacht will be launched at the first Plymouth Boat Show...

intrepid figures who pushed into the wastes of what was known as "Meta Incognita" or the Unknown Boundary Region...

est, with voyages made, inter alia, by nuclear submarines, an oil tanker and the power boat of the British adventurers...

backing, Jacques is confident that his venture has a far sounder basis both of finance and experience.

upon the type known as the Falmouth Bass Boat. It was conceived 30 years ago as a build-yourself "dayboat"...



The two men, Mike Jacques and Mike Marriot, are both in their early thirties...

Even so they expect to spend a goodly portion of the journey hauling the Tuluks across the ice rather than sailing it...

trapped in the pack ice. The discovery of bones and other relics, some as recently as 1984...

Greenland, and from there - at the age of 23 - to the dream of sailing the Northwest passage.

bury. He left school at 14 to become a junior seaman in the Royal Navy. He too moved into adventure training...

As always with such ventures, not the least of their problems has been raising finance.



Mike Jacques (left) and Mike Marriot

urers have helped too, among them Helly Hansen (thermal clothing), Kärcher (rock-saws), Phoenix (tent), Carrington (breathable fabrics)...

passage ahead is frozen, they will simply disembark and haul the Tuluks instead.

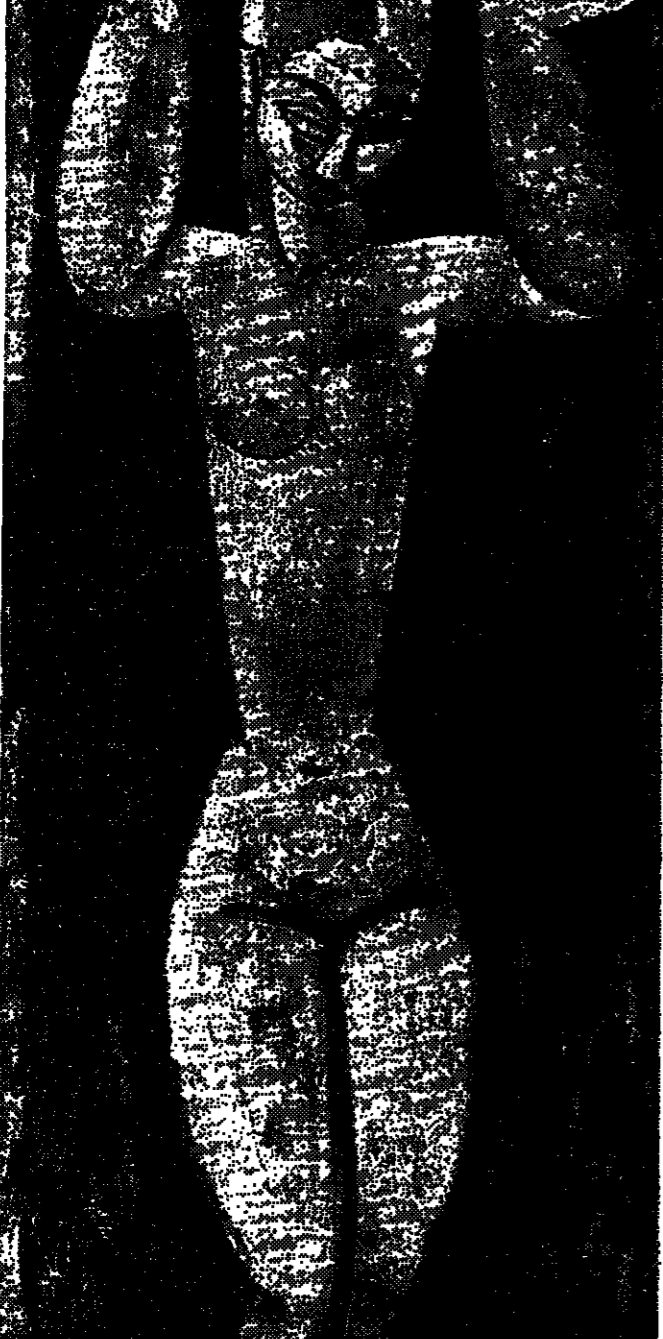
the south, Jacques and Marriot are fervently hoping for the same, as the flocks would be pushed north, leaving a clear channel in which to sail.

As the summer proceeds, however, so will the ice recede, and they hope to sail up to 80 miles a day...

Admiralty charts indicate that the wind usually comes from the two northern quadrants - spelling bad news, as the pack ice would be driven against the shore...

Like the Eskimos, Jacques and Marriot intend to be self-supporting. They plan to take all they need from Nome...

Frobisher, Davis, Hudson, Foxe and Baffin were among the



Amedeo Modigliani's Cariatide, estimated to fetch between £1m and £1.5m at Christie's Impressionist, modern pictures and sculpture sale on Monday

Saleroom

Out to make an impression

The auction houses would be in dire straits without the Impressionists, says Antony Thorncroft. Their importance is paramount

THESE WERE two comfortably familiar generalisations on hand for anyone pontificating about the two great British salerooms, Sotheby's and Christie's.

Both clichés seem dated. The scandal in New York when the managing director of Christie's there was caught out lying about the success, or rather lack of it, of an important auction rather scattered the first part, while Sotheby's says that its European chairman seemed to suggest that it could attract gentlemen. Now the second part is also in doubt.

It is impossible to exaggerate the success of the Impressionist and post-Impressionist, and contemporary art to the prosperity of the salerooms. This one sector accounts for almost 40 per cent of their turnover in London and New York.

artist favoured the subject many times and Christie's sold one rather sombre canvas on the same for £7.45m. last November. That price tempted out this smaller 24 ins by 18 ins, more colourful but not quite so momentous, work from a British source. It had once belonged to Sir Anthony Eden's father and sold for an impressive 2,300 guineas in 1918.

Modigliani will for ever be associated with elongated female nudes but he did paint men, not least a portrait of his friend, the great composer Maurice Ravel. Not least, but perhaps last, for this portrait is reputed to have been on the artist's easel at his death, at the age of 36.

A "little gem," in the words of department specialist Guy Jennings is a tiny Joan Miro, oil on copper, dated 1936. Part of its attraction is that it was bought by the late Douglas Cooper new, along with six other Miro paintings and a Picasso, for just \$5,000 the lot. Now this one work should make more than \$50,000; there could be no better example of the value of an imaginative buying eye.

A feature of the Impressionist market in the last decade has been the rise of artists like Fernand Léger and Pissarro to the front rank, partly because the Monets, Menezes, and Renoirs (or rather their best work) have scored out of the financial reach of virtually all collectors. So a Fernand Léger lower painting, which sold at Christie's for 8,000 guineas thirty years ago, now carries a top estimate of \$80,000.

Sotheby's sale on Tuesday evening is a fairly mild affair. There is a good post war Picasso, "Femme en Chien," which might make £1.25m now that late Picasso is better appreciated, and the small Cubist Braque, "Verre," of 1911, should find a discriminating buyer at around \$350,000.

"THIS NATION conceives it right to combat theft and robbery, not only against foreigners and hostile nations, but even against their own countrymen."

Giraldus Cambrensis wrote even less kind things about the Welsh, yet historic Wales stands to make £1m out of Giraldus this year, the 800th anniversary of the extraordinary odyssey which resulted in two of his books, The Journey Through Wales and the oldest travel book still in print - and The Description of Wales.

Not addicted to gabby or drunken tales about the Welsh, yet historic Wales stands to make £1m out of Giraldus this year, the 800th anniversary of the extraordinary odyssey which resulted in two of his books, The Journey Through Wales - the oldest travel book still in print - and The Description of Wales.

He was one of Henry II's legion of turbulent priests, valued adviser first then implacable opponent, and played the same double role for his sons Richard and John, surviving them all.

In 1188 he was about 42 and in royal favour, according to John Carr, director of Cadw, the Welsh Monuments Commission, which has planned this year's programmes and invested £200,000 in it.

Another exhibition, at St David's Cathedral, is dedicated to the blunder bishops who made their marks on the building, the community and the Church. A new book on Gerald, Mirror on Wales, by Charles Kitely, has also been published. There will also be new children's books

A very sharp Welsh tongue



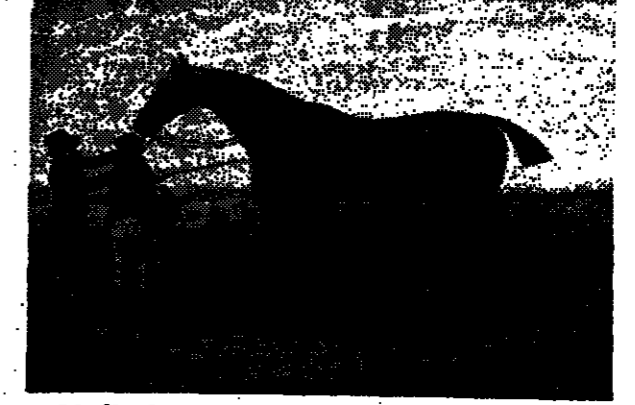
The blunder bishops who made their marks on the building, the community and the Church. A new book on Gerald, Mirror on Wales, by Charles Kitely, has also been published.

about the man and medieval life in Wales. A cartoon film commissioned jointly by Cadw and Channel 4 Wales about Gerald will be premiered.

this effort because he wrote with a vividness and freshness which brings medieval Wales to life, and because he actually preached at about 20 of our sites during the journey, said John Carr. Gerald was certainly as large as life, and one of the great medieval scholars who added tireless observation to his learning. He solved one ancient Welsh riddle - "There is amongst a people who, when they go out in search of prey carry their steeds on their backs to the place of plunder, in order to catch their prey they leap upon their steeds, and when it is taken, carry their steeds home again upon their shoulders" - by observing corac fishermen.

Simon Tait

BRITISH PAINTINGS FETCH WORLD CLASS PRICES AT PHILLIPS



John Noss Sartorius, "The Prince of Wales" recapture "Escape" with trainer and jockey on Newmarket Heath. Oil on canvas 1791. Recently sold at Phillips for £30,000.

The British Paintings market includes all work from the period 1550 to 1840, and comprises Sporting, Marine and Landscape paintings as well as Portraits.

As a sector it is very buoyant at the moment, with excellent prices being achieved for all examples, whether the artist is a household name or not.

To offer our Clients the opportunity to take full advantage of these conditions, Phillips are holding a special sale of Fine British Paintings on June 7. We can accept items for inclusion until April 5.

So if you have any pictures that you may be thinking of selling and would like appraised free of charge and without obligation, please contact John Dabney on 01-629 6602 Ext 211.

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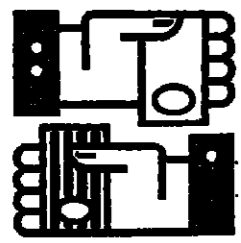
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FINANCIAL TIMES SURVEY



All sections of the pensions industry are being galvanised by the biggest revolution for more than a

decade, writes Barry Riley. Insurance companies see a big opportunity but are losing their monopoly, and company schemes are planning improvements to meet the threat.

Two citadels under siege

A PERPLEXED public will this spring and summer be subjected to an unprecedented blast of advertising about the rarefied subject of pensions.

Already, supposedly dignified Scottish life offices are camping it up in hills on the TV screens, while raucier Sassenach investment groups are coveting to catch jingles. Some of the less diverting advertising will come from the Government itself, as it attempts to put over the message of its legislation.

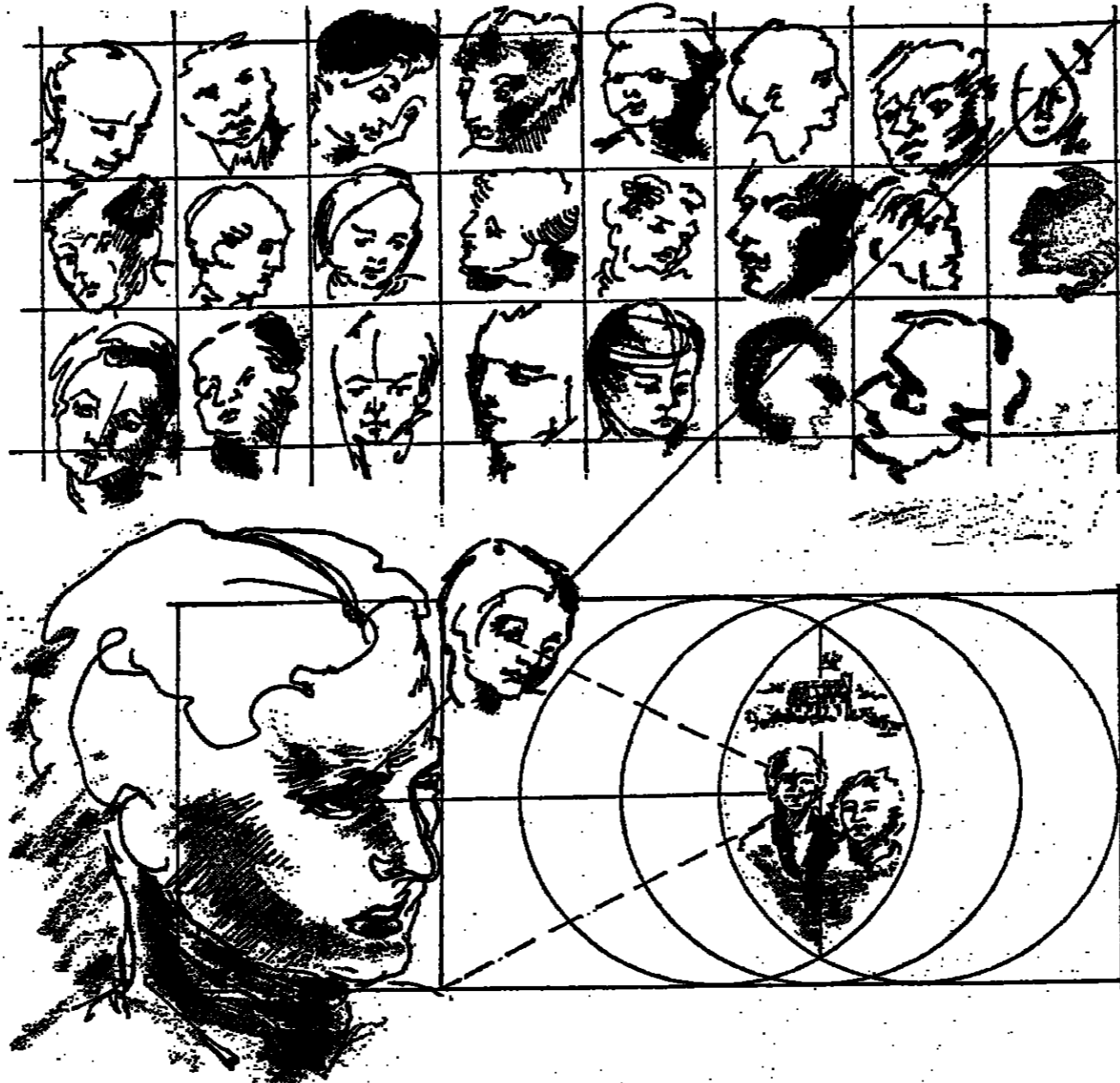
This is the year of personal pensions. In a classic example of Thatcherism in action, the Government has challenged those twin citadels of corporatism, the State Earnings-related Pensions Scheme (Serps) and the occupational pension schemes run by companies and other bodies.

which have become the rule for major companies. Both elements of the old-style pensions framework were characterised by compulsion. All employees had to belong to Serps unless they were employed by companies which decided to contract out. In that case, employees were almost always required to belong to the company scheme as a condition of employment.

There were good reasons for forcing people into such schemes. The State did not want destitute old people on its hands who would have to be supported. Companies, for their part, could not run economical schemes unless the contributions of young employees could be used to cross-subsidise the benefits being accumulated by older workers nearing retirement.

Most of this was anathema to the radical Tory regime of the early 1980s. For one thing, the cost of Serps threatened to balloon in the 21st century as the population aged. More immediately there was the problem that vast investments were piling up in the hands of pension funds, leading to a progressive institutionalisation of the investment markets.

In contrast, the Government



Personal Pensions

leaned strongly towards a personalisation of pensions, so that individuals had an interest in their own investments. Just as importantly, their job mobility could potentially become much greater when they were freed of the shackles which most companies built into their schemes.

In the event, the Government's reforming zeal was blunted, and a new compromise was struck. But there are crucial differences from the old regime. Individuals will now have the right to opt out of both State and occupational schemes, subject to making minimum alternative arrangements.

Personal pensions, until now, have been limited to the self-employed and to employees in companies without pension schemes,

such workers being entitled to make supplementary arrangements (few have done so in practice). Now a vast new market is being opened up to personal pension providers. Potentially all members of Serps and occupational schemes are customers, and even if in practice only a small minority are both accessible and economically attractive, this could still amount to millions of new customers.

The key legislation was passed some time ago, chiefly in the form of the Social Security Act 1986 and the Finance Act 1987 (No 2), but implementation is in 1988. From April 6, employees will be able to opt out of company schemes, but due to a slight

mismatching of the timetable (in part relating to delays in implementation of the Financial Services Act 1986) the new-style personal pensions will not become saleable until July 1. They will then replace the old-style Section 226 personal plans, which had more restricted availability.

All sections of the pensions industry are being galvanised into action by this, the biggest pensions revolution since the Barbara Castle reforms more than a decade ago. The life assurance companies clearly see an opportunity to practise their skills at the mass marketing of long-term financial products.

Over the past couple of decades the life offices have been squeezed out of large areas of the company pensions market which they used to dominate, as companies have opted for self-invested, rather than insured, schemes. Now, not only are the life assurance offices aiming at individuals, but they are also marketing alternative schemes to companies that are worried about possible fall-out from their main schemes.

These major company arrangements are constructed on a "final salary" basis, with benefits linked to pay levels at or near retirement rather than to contributions that have been paid. The new alternatives are on a "money purchase" basis whereby, in direct contrast, the contributions determine the benefits.

Quite a few companies are considering offering these contract

How the new regime will work
Company schemes
AVCs
Employees' choice
The self-employed
Regulation

Pensions for the highly-paid
Comparing the benefit options
The new providers
Pension mortgages

CONTENTS

Illustration: Ann Chasseaud

ed-out money purchase schemes (comps), as cheap options that will dissuade young employees from setting up their own fully personal plans. Effectively, comps represent a halfway house between company and personal plans.

But although the insurance companies see a big opportunity, they are also losing their previous monopoly of the personal pensions market. Now how on various other pension providers will be able to enter the field, including banks, unit trust companies and building societies.

As for occupational schemes, besides comps, many are planning additional improvements and refinements to combat the threat of personal pensions. They are helped by the widespread availability of investment surpluses which allow enhanced benefits to be financed, or perhaps allow employee contributions to be cut.

The strongest weapon, however, is probably their ability to withhold full company contributions from employees who opt for personal plans. Such employees will usually receive no more than the minimum rebate of the Serps element of the employers' National Insurance contributions, worth 3.5 per cent of earnings up to £15,960 a year. In contrast, employees will often pay 10 per cent of the employee's pay into the company scheme (though, for the time being, many companies are actually enjoying a "holiday" because of those investment surpluses).

Only a tiny proportion of companies with occupational schemes are proposing to pay anything on a voluntary basis into employees' personal plans. Moreover, according to a recent survey by the Confederation of British Industry, most companies are refusing even to provide death in service and disability cover, benefits that are usually bundled with pensions but are not necessarily directly connected with them. So it will take a highly independent-minded employee to choose the personal pension route in the face of such powerful disincentives.

This may not worry the Government too much, however, because, despite its one-time radicalism, it has in practice declared a truce with the occupational schemes and has concentrated on reducing the role of Serps, with the aid of a carefully-judged incentive payment.

In promoting personal pensions, the Government needs to preserve a balance. At the wealthier end of the income scale per-

son plans are used as tax shelters, and benefits and contributions must be carefully restricted to prevent abuse. With the average or below-average earner it is quite different, however. His interest in pensions is usually minimal, at any rate until quite late in life.

To entice the less wealthy citizens out of Serps the Government has therefore employed a "bribe" of 2 per cent of income which, until 1993, can be channelled into a personal plan.

Included in the employee's and employer's National Insurance contributions, and allowing for tax relief, the total package amounts to some 3 1/2 per cent of income. But that is only about half the maximum contribution of 17 1/2 per cent permitted under Inland Revenue rules (those aged 50 or over can pay more), which underlines that the minimum plan is unlikely to lead to a very prosperous retirement.

Moreover small-scale plans of this sort of size (say, rather less than £100 a month for the average male earner) will not prove very enticing for personal pension savers. Most insurance companies insist that their representatives will not attempt to invade the potentially lush pastures of the occupational scheme memberships, arguing that it would be dangerous to try to lure members away from good arrangements. However, the temptations are bound to be there.

It is a little soon to say how effectively the occupational schemes will be able to defend themselves against encroachment by personal pensions. Most of the company schemes have been busy developing their strategies, and in the short run many of them will seek to carry on much as before. Few are taking a positive attitude to personal plans. Some observers think that fundamental changes will take place in the longer term, however.

In the past, growing companies have set up final-salary schemes on reaching a certain size and maturity. But such companies may in the future be more content with money purchase schemes, if these seem more widely accepted, they are, after all, considerably cheaper to operate than the normal final-salary scheme.

Any deficiencies can be offset by top-up arrangements or additional voluntary contributions. The flexibility of these has been enhanced by the government decision to allow occupational

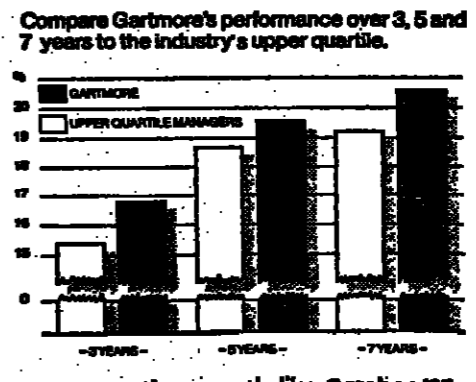
Continued on page XXII

Q
"How effectively did your fund managers anticipate the October 'correction'?"

An embarrassing little question for all pension fund trustees.

PENSION FUND PERFORMANCE	
Fund Manager	Performance in 1987 (%)
Gartmore	5 1/2
Phillips & Drew	5-5 1/2
Prudential Portfolio Man.	5
Kleinwort Greaveson	4 1/2
County NatWest	4
Legal & General Inv.	3
Lloyds	3
Mercury Asset Man.	3
Schroder	2-3
Baring	2 1/2
Hambros	2 1/2
Barclays de Zoete Wedd	2
Morgan Grenfell	2
Robert Fleming	1
Murray Johnstone	1
Rothschild	1
Baillie Gifford	0
Henderson	-1

Naturally, nobody should ever judge a pension fund manager's performance over a one year period. However, from time-to-time there emerges a patch when things become singularly tough. October 1987 was the sharpest 'correction' since 1929. Gartmore, as the figures show, rode the storm so well that we were among the year's most successful major managers, which, for the trustees of the 80 funds we manage was rather reassuring, to say the least. However, it is only when you look at a fund manager's 3, 5 and 7-year figures that you can judge just how effective they are at their job. This performance reflects Gartmore's management philosophy that a pension fund should only occasionally be managed defensively. Midway through last year we anticipated such an occasion and adopted a defensive position, the soundness of which is demonstrated in our performance.



Our philosophy however, is that at most times a fund should be very positively managed, not a view taken by many of the other major pension fund managers. Hopefully, we'll never see another month like October '87 again, but whatever happens, we'll get on with our job of managing our trustees' funds in the way they have come to expect. If you would like to hear more about our approach to group pensions, COMPS and personal pension plans then contact Alastair Cuming on 01-623 1212.

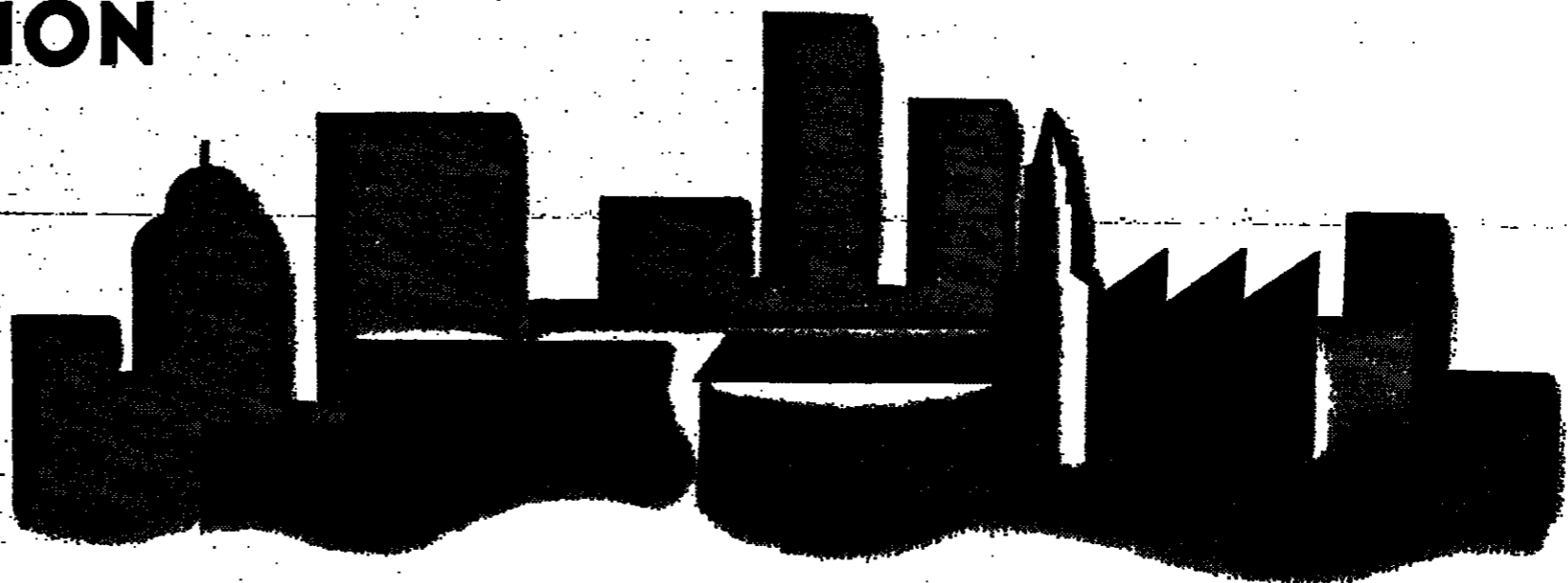
Gartmore

Gartmore Pension Fund Managers Limited, Gartmore House, 16-18 Monument Street, London EC3R 8AJ.

Source: Financial Weekly



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PERSONAL PENSIONS 4

The highly-paid

Companies will take a hard line

IN ANY discussion about which categories of employee would benefit by a switch from a company scheme to a personal pension, the first mention is invariably of the high-flyer executive. He or she is regarded as highly mobile, financially aware, remuneration-conscious, and with the muscle to negotiate with a current employer to make arrangements to a personal pension. One could almost say that personal pensions, which can be taken from job to job, were designed specifically for such people. However, this message and image does not seem to have reached the boardrooms of Britain's major companies. A survey by leading consulting actuaries Bacon & Woodrow shows that companies intend to take as hard a line with any executive who wishes to opt out of the company pension arrangements as with rank-and-file employees. Most tend to provide pensions for executive directors and other leading executives separately from any main-scheme arrangements. These schemes operate on a final-salary basis, often providing better benefits than in the corresponding main scheme, but as with the main scheme, they impose benefit penalties on executives who leave the company. Bacon & Woodrow found that few of the 92 companies in the survey would be willing to contribute towards a personal pension for an executive who opted out of their executive pension arrangement. The hard line extends to death and disability benefits. Only about a third of companies would provide death benefits to a personal pension holder, and fewer would provide disability benefits. Just under half would be prepared to allow such an executive to rejoin the scheme, but re-entry would be conditional on age and health, and would apply only once. The results of this survey are in line with those of one conducted by the Confederation of British Industry of employer attitudes towards employees and the

Regulation: Eric Short assesses the task facing the administrators

The rules are incomplete and anomalies may confuse

NEXT MONTH sees the start of another set of radical changes in the investment field — the new regulatory environment brought about by the 1986 Financial Services Act. The Government, in making the changes to the pensions environment, decided that the control of marketing would come under the financial services legislation. Under the Financial Services Act, no company, firm, partnership or individual can manage, market or advise on investments unless authorised under the terms of the Act. Basically, the new legislation is designed to protect the consumer in his investment dealings by ensuring that all people and firms handling or advising on investments have the required expertise, integrity and financial soundness. The Act is administered by the Securities and Investments Board (SIB), with control in most cases delegated to five self-regulating organisations (SROs) and various recognised professional bodies (RPIBs) which cover the complete investment spectrum, from the City-based international financial institution to the high-street personal financial adviser. These organisations have drawn up a complex and comprehensive series of rules, which control virtually every aspect of the operations of an authorised business. Although it was intended that management, marketing and advice on pensions should fall within the scope of the Act, there are a number of paradoxes and anomalies that result in control being far from complete and could well cause individuals confusion in their pension planning. Personal pensions that are invested in equities or fixed-interest securities are investments, and thus come within the scope of the legislation. But deposit-based personal pensions are not classified as investments. Company pension schemes, in themselves, are not investments,

Comparing the benefits

Rhapsodies use conflicting keys

IN MAKING his pension arrangements, an employee has to decide between three options — the State Earnings-related Pension Scheme (Serps), a company scheme, and a personal pension. They are as different as chalk, cheese and chestnuts. Mr Norman Fowler, the previous social services secretary and architect of the new pensions structure, was insistent that employees should be given enough information to enable them to make a fair comparison. Unfortunately, he did not indicate the format in which information should be provided. Employees generally have two yardsticks by which they will regard it as a necessary evil and look for the lowest contribution; or they will look to the alternative that can be expected to provide the highest benefit — and this is where the problems begin. The employee can get illustrations of benefits for Serps, company schemes and personal pensions. But the formats in which the illustrations are given differ, partly because the schemes are different in their benefit structure, and partly because the quotations are provided by different organisations. Illustrations of Serps benefits are provided by the Department of Health and Social Security from its office in Newcastle-upon-Tyne, using form NP28. The Serps statement shows the pension benefits accrued to date and the expected pension on retirement, assuming average earnings rise by 14 per cent a year more than prices — with both figures given in today's money values. Employees are legally entitled to regular statements of their benefits in the company pension scheme under the disclosure regulations. However, the form of such statements is left to individuals in a personal pension, he will accumulate a fund that puts him in the millionaire class, but he will receive no indication of the real value of such figures. This will be compared with a company scheme pension in current terms. This is highly misleading, since as a percentage of those current earnings to provide a guide to the real value of the pension. But it is not an estimate of the actual amount of pension in money terms. Alternatively, the statement can show the ultimate pension and other benefits in currency at the time of retirement by assuming a growth rate, such as 8 per cent a year, for an employee's future earnings. This latter approach may well show the employee the size of his ultimate monthly pension cheque, but it may not convey the idea of the real value of that pension. Pressure to show monetary val-

Eric Short

Eric Short

Providers in competition

Life players retain four aces

LIFE COMPANIES are losing their virtual monopoly of the individual pensions field under the new legislation. Banks, building societies and unit trust groups will be able to offer the savings element, up to retirement, of personal pensions and free-standing additional voluntary contribution schemes. This move was yet another extension of the pensions choice offered to individuals. But all the indications are that, for the first year or so of the new environment, the life companies will continue to dominate the personal pensions market. There are four reasons why this is likely to be so. First, life companies have the expertise in designing pension plans, and the knowledge of how to get them approved by the authorities, the Superannuation Funds Office, the Inland Revenue and the Occupational Pensions Board. The banks and building societies have been experiencing con-

siderable technical problems with the authorities over setting up deposit-based personal pensions. The building societies' difficulties have been resolved, but the banks persist. Second, they have the marketing network for selling pensions through intermediaries, with practical experience of selling to individuals. Up to now, pensions have had to be sold. This means that the initial approach has to be made by the intermediary. It has yet to be seen whether employees will take the initiative and go into a bank or building society branch office to take out a pension contract. Third, the life companies have the investment experience, with exempt funds already in operation. They have an investment track record to sell — and investment performance could be a key feature in marketing personal pensions. Finally, life companies have the experience required to set up the required administration systems — and the authorities have made the administration extremely complex. Several life companies have already unveiled their pension contracts for the new environment. The training of intermediaries to meet the new marketing opportunities has been intensive. For life companies all that

remains to be seen is how employers and employees react to the changed situation. The potential for a pensions boom is there. The marketing opportunities are there. The big uncertainty is whether companies and employees can overcome their natural apathy towards the subject of pensions and pension planning. The new providers are generally keeping a low profile so far as indications are concerned, even though the start date for personal pensions is just three months away. Most unit trust groups either have life company subsidiaries or are subsidiaries of life companies. Invariably they have decided to continue to use the life company exclusively for their pension products. Relatively few of the unit trust groups not connected with life companies have decided to take this opportunity to get into a new retail investment sector. One, One Asset Management, has unveiled its products, offering simplicity in design and operation and comparatively low charges. Life company pension products tend to be complicated and their charges are high. The existing marketing network is expensive to run. Banks and building societies have very comprehensive sales

The tax-efficiency of a pension mortgage is more widely available. Debbie Harrison explains the system

Buy your house at work — but take care

PENSION MORTGAGES are the most tax-efficient method of financing mortgage repayments. Yet traditionally they have been available only to people with a personal pension arrangement, such as the self-employed and many company directors. Recent developments in the pension market have now extended the facility to employees in company pension schemes. A pension mortgage operates on principles similar to the popular endowment mortgage. An interest-only loan is arranged with a lender, such as a bank or building society, with a maturity date similar to the borrower's expected date of retirement, when his company or individual pension becomes available. As with an endowment arrangement, interest payments are made throughout the term of the loan. On retirement, the borrower uses part or all of the tax-free cash available on his pension to repay the capital on the loan. The rest of the accumulated pension and any remaining tax-free cash is used to provide an income in retirement. In terms of tax efficiency, the pension mortgage scores highly over the endowment mortgage. As with the endowment, tax relief is available on mortgage loans of up to £20,000, and the cash lump sum provided on maturity is tax free. However, pension mortgages have two further significant tax advantages. First, tax relief up to the highest rates of income tax is available on premiums paid into an approved pension plan, whether this is a company pension or one of the new personal pensions available to employees from July.

For the employee, tax relief on premiums is available on contributions up to 15 per cent of salary. For the self-employed, it is available on up to 17.5 per cent of taxable income (more if you are over 50). This compares favourably with the endowment plan, as tax relief formerly available at 15 per cent, was withdrawn from all life policies in 1984. The tax relief is provided in three different ways, depending on employment status and taxable income. For employees, basic rate tax relief is deducted at source in the same way as the Miras operates. For employees who are higher-rate taxpayers, relief is obtained through an adjustment to the tax code. The self-employed, however, make a claim for tax relief on the annual tax return, and an adjustment is made to the annual tax assessment. The second tax advantage of the pension mortgage over the endowment mortgage is that pension contributions invested in tax-exempt funds. Life assurance funds attract capital gains tax on both income and gains, thus reducing their performance by comparison with pension funds. Many employers have been reluctant to promote the advantages of pension mortgages to employees, fearing that too much of an employee's valuable pension benefits would be eaten up by the capital repayment. But that attitude is changing, partly because employers see that to offer advice in this area increases the value of their employee benefits package; and partly, it has to be said, because employers fear that many members will leave their schemes to take out personal pension simply to get a pension mortgage. Naturally the companies selling personal pensions will be keen to point out the advantages of a pension mortgage linked to their pension policy. The easiest way for a company to make available pension mortgages is through a third party, which makes an arrangement with a lender or lenders to provide mortgages for that company's employees. This third-party structure has the added benefit of relieving both employer and employee of the administrative burden. A growing number of companies provide the service, including the firm of actuaries, Bacon & Woodrow, and the insurance companies, Allied Dunbar and Standard Life. Lenders follow two key principles in determining an employee's eligibility for a pension mortgage: his ability to make regular interest payments, and his ability at the end of the loan period to repay the capital from his tax-free cash lump sum. To determine the maximum mortgage a member of the company scheme can take out, the usual earnings multiples would apply, such as three times first salary and one times second. The lender will also want to see a recent benefit statement showing salary and levels of contribution to the company scheme. In a final salary scheme, the maximum

tax-free cash lump sum is one and a half times final remuneration with a current ceiling of £150,000. A quick assessment of an employee's current salary and future expectations should reassure the lender of his ability to repay the capital on retirement. Borrowers with individual pension plans are usually allowed a mortgage of 15 times the annual premium total. In a money purchase group scheme or individual plan, the factors are less easy to determine than with a final salary scheme. The maximum tax-free cash sum will be 25 per cent of the total fund, but a projection of the fund itself can only be made on investment return assumptions, which are not reliable. As part of the pension mortgage package, some form of life insurance is normally required, to guarantee that in the event of the borrower's death the capital can be repaid. Normally this would be provided by group pension death benefits; but, where an employee had decided to opt out of the company scheme to take a personal pension, an additional life assurance policy would have to be taken out. The good news is that tax relief is available on contributions linked to a pension plan of up to 5 per cent of taxable earnings, making simple term assurance very cheap at only a few pounds per month. Pension mortgages do carry a health warning, however. If an employee intends to use his pension to pay off a mortgage, then extra provision should be made to ensure an adequate pension in retirement. For the employee in a company scheme, the best way to top up a pension is by making additional voluntary contributions — through either the group's own scheme or a "free-standing" AVC policy. Unfortunately, the accumulated fund on an AVC, where group or free-standing, can no longer be taken in tax-free cash but has to be taken as a taxable pension. One final note of warning. Borrowers planning to use a personal pension to repay mortgage capital should take care to ensure that enough of the accumulated fund is available as tax-free cash on retirement. For employees contracted out of Serps, the part of the fund built up from National Insurance rebates, known as "protected rights", has to be taken in the form of pension, not cash. Thus the employee must make extra contributions on top of the NI rebate in order to build up a tax-free cash lump sum sufficient to pay off the loan capital. Even higher contributions will have to be made if you want to buy that yacht as well.

How a pension mortgage works

Male aged 40, 25 per cent tax payer, in company pension scheme. Loan £20,000 — term 25 years. Interest rate 10.4% (growth in endowment and pension funds 10.7%)

	Repayment	Endowment	Pension
Repayment cost	£28	£	£
Life Cover	13	19	13
Interest (net)	—	182	182
Premiums	—	35	—
AVC contribution (net of tax relief)	—	—	36
Total cost (monthly)	241	241	241

Age 65 proceeds: Loan repaid off 50,100, 30,000, 30,000. Net proceeds: Nil, 20,100, Loan paid off plus £28,800 available for pension benefits.

Amount needed to top up

Net monthly AVCs required to replace pension benefits worth £20,000 at age 65.

Age	25 per cent taxpayer	£	gross
35	9.39	12.52	
40	16.17	21.56	
45	28.55	38.06	
50	52.81	70.41	
55	107.79	143.72	

Source: Bacon & Woodrow

57% more pension for the same money

Someone retiring on 1 May 1987 would have been 57% better off with The Equitable than with the worst performer among our competitors, according to "Planned Savings" most recent survey of 10 year with profits pension plans for executives and directors. Of course, the past cannot guarantee the future, but since "Planned Savings" began these surveys, The Equitable has been top of the tables more often than any other company. What's more, we also delivered the top benefits in their 1985, 1986 and 1987 surveys of 5-year plans.

Much of this pre-eminence derives from our outstanding investment performance. But we also give you a head start by having more of your money to invest in the first place, since we pay no commission to middlemen. Nor are there any shareholders to nibble away at the profits.

So unless you're one of the very few executives who will actually receive your maximum pension (2/3 of final salary), you'd be well advised to investigate a top-up pension.

If you're going to do that, it makes sense to come to the company with the top track record. Please contact us direct on 0296 26226 or send in the coupon.

*Planned Savings July 1987

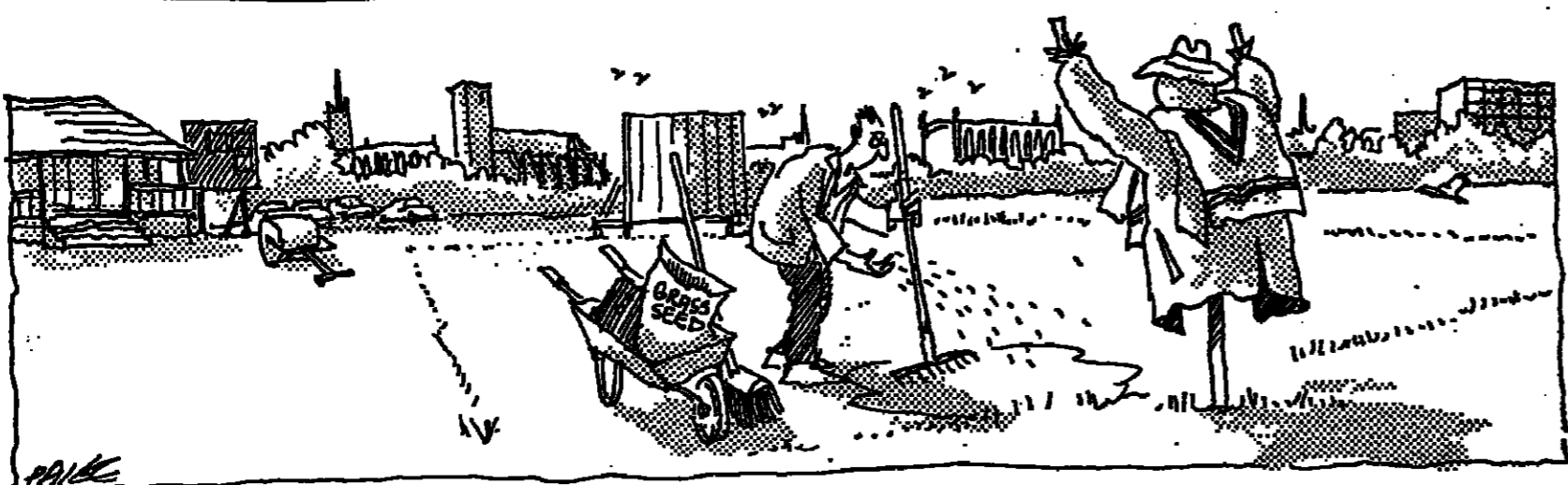
To The Equitable Life, FREEPOST, Wilton Court, AVESBURY, Beds HP21 7BR. I'd welcome further details on □ Individual Pension Plans; □ Unit-linked based alternatives. (UK residents only)

Name (Mr/Ms/Miss) _____
Address _____
Postcode _____
Date of birth _____
Etc (Office) _____
Etc (Home) _____

The Equitable Life
Before you look to your future, look to our past.

WEEKEND FT

SPORT



Cricketer/Teresa McLean

Decline and fall at Fenner's

ONE SUNDAY afternoon a couple of weeks ago I talked to the groundsman at Fenner's, the Cambridge University cricket ground...

women meant fewer men, far fewer gentlemen, and the consequent collapse of cricketing standards...

Tony Pocock, long-time overseer at Cambridge University's famous ground, surveys the sad state of the varsity game nowadays and concludes that the main reason is too many women in the colleges - and too few gentlemen...

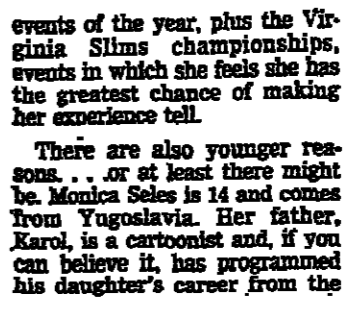
to find that he was contemptuous of the scientific advisers who take pills of his soil away in test tubes...

about their jobs. But he confessed to delighting worms and commercialisation. His best experience? Too many to count...

Tennis/John Barrett

Sabatini stalks Steffi

THE DARK brown eyes blazed with an intensity I had not seen before but the voice was calm and purposeful...



Sabatini...ambitious

eventually won 7-6, 6-3. 'She mobbed me,' said the very relieved No. 3 seed at the end of the match...

FT CROSSWORD No.6,591

Crossword puzzle grid with clues for Across and Down.

SATURDAY

Television and radio schedule for Saturday, listing programs like BBC1, BBC2, Channel 4, and Granada.

TELEVISION AND RADIO

Television and radio schedule for Saturday, listing programs like Granada, Ulster, Yorkshire, and BBC Radio 2.

SUNDAY

Crossword puzzle grid with clues for Across and Down.

SUNDAY

Television and radio schedule for Sunday, listing programs like Channel 4, BBC1, BBC2, and Granada.

TELEVISION AND RADIO

Television and radio schedule for Sunday, listing programs like Granada, Ulster, Yorkshire, and BBC Radio 2.



James Dunnally and Warren Clarke in Reasonable Force: BBC 2, 10 pm

Across 1 Nutsy incidents (8) 5 Wheat's mown with such a stroke (5) 9 To be regular, change diet late in day (8) 10 The axilla, a jolly depression (8) 11 Home countries' trophies moving from the mainland (8) 12 Panel number right here (8) 14 Five damaged by sunshine in this disease of apples (4-6) 15 Arctic craft useful at parties? (3-7) 16 Crew of 'Bounty' made it a hit here (6) 17 'The Mount' - suitable address for a cardinal (8) 18 Ditching in the sun? Surely not! (6) 19 Privileged leave bin out (8) 20 Home brewer's vessel (8) 21 Rose Sea's stowery. Call him out to inspect damage (8) Down 1 Ridge where stalker positions himself (8) 2 A Maxx resort takes in eastern feller (8) 3 Receipts recommended for anxious packer, going by air (3-5) 4 Real Madrid's fluttering butterfly (3-7) 5 One of the Transylvanian creatures, we pull up blossom (8) 7 Branch of geometry for which 'Fiddler on the Roof' star turns gay? (6) 8 Race competitors about to start stung plea (8) 13 Receipts to discourage colliers (10) 15 Beware of corrosion after consumption (8) 16 Heating-pool where Ed bathes without restriction (8) 17 E.g. the creation, we hear, of Geyser (8) 19 Spur visible, say (6)